



Business and Human Capital Challenges Today and in the Future

A Research Report by the Society for Human Resource Management

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About SHRM

Founded in 1948, the Society for Human Resource Management (SHRM) is the world's largest HR membership organization devoted to human resource management. Representing more than 275,000 members in over 160 countries, the Society is the leading provider of resources to serve the needs of HR professionals and advance the professional practice of human resource management. SHRM has more than 575 affiliated chapters within the United States and subsidiary offices in China, India and United Arab Emirates. Visit us at shrm.org.

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Introduction



Business leaders across functional areas and a wide range of industries can agree that their organization's success will be determined by attracting, retaining and optimally managing a quality workforce. But although working on these human capital success factors is now an essential part of every business leader's role, for human resource management professionals it *is* their role. The challenges HR professionals face each day as they carry out their responsibilities give them a good insight into the broader business and human capital challenges their organizations face now and in the future.

The 21st century workforce is complex. Although the impact of the Great Recession is still being felt in the U.S. labor market—long-term unemployment rates are still high and wages have yet to see significant increases—employers also report that filling many key jobs is growing increasingly difficult. The need for educated, skilled and technically savvy employees continues to ramp up and is no doubt driving these recruiting difficulties and highlighting the importance of human capital issues. By asking HR professionals and non-HR C-suite executives about the most critical business challenges, especially as they relate to human capital issues, we can uncover important insights into how the workforce is changing and how organizations will deal with these changes in order to succeed.

The Society for Human Resource Management (SHRM) conducted a survey of HR professionals to learn more about what human capital issues and challenges they think will be the most important in shaping the workplace and the HR profession in the coming decade.

The survey included questions on the following topics:

Business and Human Capital Challenges

- Their organizations' greatest current and future human capital challenges.
- The biggest financial challenges facing their organizations in the coming decade.

Strategies, Tactics and Tools

- The key factors that will determine their organizations' ability to meet these challenges.
- The tactics they think will be most effective in attracting, retaining, and rewarding the best employees.
- The type of employment models they expect their organizations to use in the future.
- How they expect their workforce to evolve in the future, including the size of their workforce, employment status and demographic makeup.

The Strategic Role of the HR Function

- The current and future actions they are taking in their organizations to make HR more strategic.
- Which competencies they believe are most critical for the HR professional.

In a separate survey, non-HR C-suite executives were asked about human capital challenges today and in the future, along with their views on the HR function and how they work with HR in their organizations. The sample comprised a range of organizational leaders, including presidents, CEOs, chairs, partners or principals, senior vice presidents/executive vice presidents as well as chief financial officers, chief technology officers, chief operating officers and other C-suite executives. These individuals are well-positioned to have an insight into HR's role, strategies and objectives because for most of the individuals in this sample, the HR function either reported to them or was their peer.

This report details the findings of both surveys and examines the implications for the future of the HR profession.

In addition to the survey findings, this report features the views of HR thought leaders on a wide range of key business and human capital challenges clustered around three main topic areas: 1) talent management and engagement, 2) business environment and 3) business strategy.

These thought leader articles include the following:

Talent Management and Engagement

- Sustaining Employee Engagement and Job Satisfaction
Karen Paul, Ph.D., leader of the Global Measurement Center of Expertise, 3M
- Modernizing the Employee-Employer Relationship
John Jersin, CEO, Connectifier
- Tapping into the Global Talent Market
Lynn Shotwell, executive director, and Andrew Yewdell, global immigration specialist, Council for Global Immigration

- Flexibility—Central to an Effective Workplace
Ellen Galinsky, president and co-founder, Families and Work Institute
- The Next Evolution of Diversity and Inclusion Work: Transformational Diversity
Sara Taylor, president, deepSEE Consulting

Business and HR Strategy

- HR Competencies: The Foundation Upon Which to Build Today's and Tomorrow's Business Leader
Kari Strobel, Ph.D., senior consultant, AvantGarde
- Certify This! The Role of Competency-Based Certification in HR
Alex Alonso, Ph.D., SHRM-SCP, VP, Research, SHRM
- Beyond Data Analytics to Dialogue, Action and Results
Theresa M. Welbourne, research professor, president and CEO, eePulse Inc.
- Developing the Next Generation of Leaders: Trends and Truths About the Future of Leadership Development
Ian Ziskin, president, EXec EXcel Group LLC
- Aligning HR Tech to Strategy
Sue Meisinger, former president/CEO, SHRM

Business Environment

- Is HR Weakest in the Areas Most Likely to Impact Corporate Success?
Steve Director, Ph.D., professor, School of Management and Labor Relations, Rutgers University
- What Is HR's Role in Managing Change?
Deb Cohen, Ph.D., SHRM-SCP, SVP, Knowledge Development, SHRM
- The Regulatory Environment
Elizabeth Owens Bille, J.D., SHRM-SCP, VP and associate general counsel, Executive Office, SHRM
- Don't Fear Prudent HR Risks
Wayne Cascio, Ph.D., professor and Robert H. Reynolds Chair in Global Leadership, University of Colorado
- Got Skills? Closing the Gap on Opportunity and Prosperity
Eva Sage Gavin, vice-chair, Aspen Institute's Skills for America's Future Advisory Board

Both HR professionals and non-HR C-suite executives see their organizations putting into practice processes, strategies and tactics that are meeting today's challenges and will position their organizations for success in the future.



Executive Summary

HR professionals and non-HR C-suite executives are in agreement about many of the challenges they face now and will face in the years to come. Retaining talent, engaging employees and providing strong benefits and compensation are among the most important human capital challenges both HR professionals and non-HR C-suite executives listed. However, HR views many of these issues as more pressing than do non-HR C-suite executives. Because HR professionals are immersed in human capital issues on a daily basis, they may be more likely to see human capital issues as a key challenge. The findings suggest that HR professionals will need to continue to give strategic guidance to non-HR C-suite executives to help them understand the human capital challenges their organizations face and to prioritize these issues when developing business strategies.

Both HR professionals and non-HR C-suite executives indicate that some issues that constitute key human capital challenges today will be more manageable in the future. For example, both groups expect that managing HR processes efficiently with constrained resources will be less of a concern in the future. Many business leaders both inside and outside of the HR profession understand the pressure HR has faced to do more with less in the aftermath of the recession, but they do not see this as a permanent problem. This suggests that both HR professionals and non-HR C-suite executives see their organizations putting into practice processes, strategies and tactics that are meeting today's challenges and will position their organizations for success in the future.

Current issues that both HR professionals and non-HR C-suite executives view as key challenges are executing HR processes efficiently under constraints, the growing

complexity of legal compliance and moving HR from a transactional to transformational role within the organization. HR professionals and non-HR C-suite executives also agree that many organizations will attempt to shift to the use of different, less traditional employment models in the coming decade.

The similarities in opinions of HR professionals and non-HR C-suite executives underscore the importance of these organizational and human capital challenges. At the same time, the differences in views, in particular the higher levels of importance that HR professionals place on these challenges compared with non-HR C-suite executives, represent an opportunity for HR professionals to make a case for a greater awareness among their non-HR colleagues of the implications of key human capital challenges. By communicating the importance of these challenges, HR professionals can work in partnership with

their organizations' non-HR C-suite executives to develop better strategies for the years ahead.

The survey findings also suggest that HR professionals are increasingly well-positioned to work closely with the non-HR C-suite executives in their organizations. At the majority of organizations, both HR and non-HR C-suite executives view HR as having a strategic role and are currently planning to make changes to their HR function to make it even more strategic and measurement-driven. Non-HR C-suite executives stress the importance of the development of leadership skills and business acumen for senior HR professionals. In addition, a key future challenge relating to HR, according to non-HR C-suite executives, is finding HR professionals with leadership abilities.

These and other findings underscore the importance of leadership development for HR professionals. To ensure that HR will be able to fulfill this strategic role, it will be imperative that HR professionals are given every opportunity to develop the needed competencies and for organizations to invest in HR by sourcing top HR talent from the marketplace and developing their existing HR staff.

Because HR professionals are immersed in human capital issues on a daily basis, they may be more likely to see human capital issues as a key challenge compared with non-HR C-suite executives.

Key Findings

- **Maintaining high levels of employee engagement was the most pressing human capital challenge in today's economic environment according to HR professionals (38%).** This was followed by developing the next generation of organizational leaders (31%) and maintaining competitive compensation offerings (29%).
- **Non-HR C-suite executives were most likely to say that retaining their highest-performing employees was a critical human capital challenge (28%) in the current business environment.** This was followed by maintaining competitive benefits offerings (22%) and retaining employees overall (22%). Generally speaking, non-HR executives were less likely than HR professionals to con-

sider human capital issues as key challenges both today and in the future.

- **The top future human capital challenge identified by HR professionals was developing the next generation of organizational leaders (39%).** Other top human capital challenges identified were managing the loss of key workers and their skill sets due to retirement (35%), and maintaining competitive benefits offerings such as health insurance and retirement benefits (26%). Maintaining high levels of employee engagement—the factor that is currently the top challenge according to the survey results—was fairly low on the list of future challenges (20%).
- **Non-HR C-suite executives agreed with HR professionals that developing the next generation of organizational leaders is the top future human capital challenge (24%).** Retaining their highest performing employees and maintaining competitive benefits offerings tied as the second highest-ranking key future human capital challenges among non-HR C-suite executives (both 19%).
- **HR professionals show a high level of agreement that executing HR processes smoothly and efficiently under constrained resources such as time, staff, technology and finances is today's top HR function challenge (69%).** Other top HR function challenges included moving HR from a transactional to transformational role within the organization (44%), the growing complexity of legal compliance (41%) and creating an effective HR infrastructure that supports an employee-centric, service-oriented HR organization (35%). As they looked to the future, far fewer HR professionals surveyed (37%) thought that executing HR processes smoothly and efficiently under constrained resources would continue to be a challenge and slightly fewer (39%) felt that moving HR from a transactional to transformational role within the organization would be a challenge in the next 10 years, compared with the 44% who experienced it as a key challenge today. An interesting finding of note: HR professionals at larger organizations were significantly more likely to be concerned about finding competent HR staff than were HR professionals working at the smallest organizations.
- **Non-HR C-suite executives agreed with HR professionals that executing HR processes smoothly and efficiently under constrained resources was today's top HR function challenge.** This was followed by the growing complexity of legal compliance and attracting highly competent HR professionals that align with strategies (32% and 30% respectively). While few HR professionals (16%) were currently concerned about attracting highly competent HR professionals that fit with their

organization's HR strategy, 30% of non-HR C-suite executives said this was a critical challenge. Their top current challenge involving HR talent was finding HR talent with leadership ability (31%), followed by finding HR talent that fits within the culture of their organization and finding HR talent with strategic HR expertise (both 28%).

- **Creating an organizational culture where trust, open communication and fairness are emphasized and demonstrated by leaders (33%) was the top tactic needed to meet today's key human capital challenges, according to HR professionals.** This was followed by providing employees with opportunities for career advancement (29%) and demonstrating a commitment to professional development (24%). Creating a culture of trust declined in importance when looking to the future. Other declines included providing employees with the latest tools and technology and providing employees with job security.
- **The most important factor that non-HR C-suite executives said would determine their organizations' ability to successfully meet their HR-related challenges was the strength and effectiveness of their HR leadership (23%).** Strong HR competencies among their HR staff (21%) and strong and effective organizational leadership (20%) were second and third most important.
- **Approximately one-half of HR professionals said obtaining human capital was their most important financial challenge.** This was followed by compliance with laws, rules and regulations (38%), resource allocation (37%) and responding effectively to market volatility (32%).
- **Compliance with laws, rules and regulations (36%) was seen by non-HR C-suite executives as the top financial challenge.** This was followed by obtaining human capital (33%) and responding effectively to market volatility (31%).
- **Non-HR C-suite executives and HR professionals hold similar views on how the size of their workforce will change in the coming decade, but non-HR senior executives are less likely to say that they are not sure how their workforce will change.** About the same percentage of non-HR C-suite executives and HR professionals forecast that their workforce would increase (59% and 58% respectively). Nineteen percent of non-HR C-suite executives said they expected no change.
- **Whereas 86% of the HR professionals surveyed said that their organization used a traditional employment model that provides employees with specific job roles, duties and responsibilities, fewer respondents (60%) anticipated that this would be the model they would use in the next 10 years.** Although 19% of survey respondents said their companies currently used a non-

traditional employment model that stipulated the knowledge, skills and behaviors needed to perform a specific project or task without a focus on formal job roles (also known as project-based employment), 40% anticipated that this would be the employment model used in the next decade. Fifty-eight percent of those surveyed said they believed their organization's workforce would grow over the next 10 years; meanwhile, only 11% said they believed their workforce would shrink, 16% anticipated no change, and 14% were not sure. Looking ahead, 65% believed their organizations would add regular full-time employees, whereas 21% thought there would be no change and 14% thought this category would decline.

- **There was an increase in the percentage of HR professionals who said they would use flexible work arrangements (e.g., flextime, telework and compressed work weeks) as a tactic to attract and retain talent in the future.** Other tactics that were expected to grow more prevalent were implementing policies that support workers across life phases, such as parents of young children and those phasing into retirement, and developing human capital management skills at all levels of the organization.
- **HR professionals reported that refreshing HR strategies to align with evolving business goals is the top action currently being undertaken to make HR more strategic (37%),** followed by investing in HR professional development and focusing on HR competencies (27%), and measuring the financial efficiency of HR operations (such as cost-per-hire, time-to-fill vacancies and the return on investment of training interventions) (20%). Fewer said they thought they would be focusing on refreshing HR strategies in the next decade (30%).
- **Sixty-three percent of non-HR C-suite executives view HR as having a strategic role in their organization.** The most common view of HR was as a combination of a transactional and strategic function.
- **Almost three-quarters of non-HR C-suite executives report that their organization will change their HR function in the years ahead (71%).** Some actions included broadening HR's scope to more of a business partner involved in change management, outsourcing transactional HR and using more HR metrics. The top actions non-HR C-suite executives reported were currently being taken to make HR more strategic were engaging top executives to develop HR strategy (22%), refreshing HR strategies such as selection, compensation, benefits and training (also 22%) and getting senior executives more involved in implementing HR strategies (20%). Looking ahead to the next 10 years, the top actions non-HR C-suite executives said their organizations would be taking were refreshing HR strategies to align with evol-

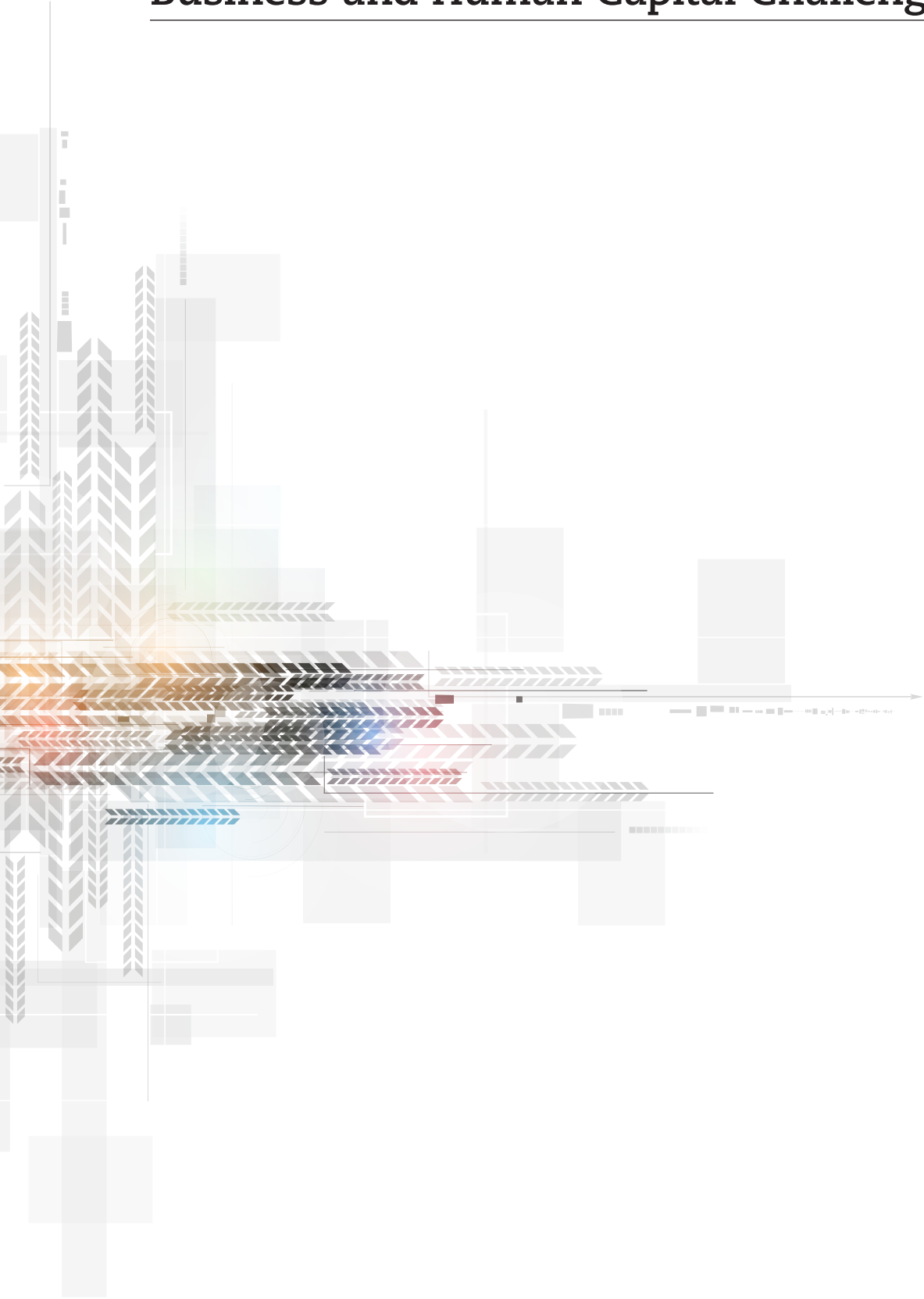
ing business goals (21%), measuring the specific effects of HR programs (19%) and getting senior executives more involved in implementing HR strategies (18%).

- **Human Resource Expertise was the HR competency (51%) the greatest number HR professionals identified as most critical.** This was followed by Relationship Management, and Leadership and Navigation (both 36%), Communication (35%), and Business Acumen (34%). Looking ahead to the next 10 years, Human Resource Expertise dropped 18 percentage points as a top HR competency and Communication dropped by 12%. Business Acumen and Critical Evaluation both rose in importance by 12% and 11% respectively.
- **The most critical HR competency according to non-HR C-suite executives was Human Resource Expertise (29%), followed by Leadership and Navigation (28%) and Business Acumen (27%).** The same three competencies remained at the top of the list when executives looked to the next decade, but in a slightly different order (Business Acumen was at the top, followed by Human Resource Expertise and Leadership and Navigation). The largest drop in the perceived importance of an HR competency was in Communication: there was an 8 percentage point decline in the percentage of non-HR executives who thought it would be a critical competency in the next decade (18%) compared with today.
- **Non-HR C-suite executives considered business knowledge the most important component of Business Acumen.** This was followed by effective administration and knowledge of government and regulatory guidelines. The behavior non-HR C-suite executives considered most important in relation to the Leadership and Navigation HR competency was understanding the most effective and efficient ways to accomplish tasks within the parameters of organizational hierarchy, processes, systems and policies.

A majority of HR and non-HR C-suite executives are currently planning to make changes to their organization's HR function to make it even more strategic and measurement-driven.



Business and Human Capital Challenges



Even in the worst months of the Great Recession, most HR professionals knew that a competitive recruiting environment would eventually return. Since then, the challenge of securing top talent has, in many ways, intensified due to demographic shifts and the need for more educated and skilled employees across industries. HR practitioners know they must lead their organizations in meeting the human capital challenges they now face and in preparing for the challenges they anticipate will have the biggest future impact.

Human Capital Challenges

Finding, managing and developing the collective knowledge, skills and other intangible assets of employees that form the basis of an organization's human capital are the central roles of the HR function. HR professionals are therefore deeply focused on the factors that influence every aspect of human capital today and in the years to come. The human capital challenges that HR professionals are most preoccupied with presently show some differences compared with those they think will be the greatest challenges in the next decade.

Today's Human Capital Challenges

Respondents to the survey could select up to three key human capital challenges, and therefore, the findings reflect the multiplicity of challenges that HR leaders are facing in their organizations. Even among the top challenges identified, there was not one factor that the majority of HR professionals currently considered a top challenge. There may be several reasons for this. First, the relatively large number of response options in the survey enabled respondents to spread out their chosen options and submit fairly individualized patterns of response. This suggests that human capital challenges may vary depending on the individual characteristics of an organization, such as its size, location, industry and talent pool. Additionally, HR professionals may consider many factors to be important human capital challenges—this, in and of itself, is a challenge because it calls on HR professionals to prioritize and allocate their staff and other resources carefully.

HR professionals reported that maintaining high levels of employee engagement was their most pressing human capital challenge in today's economic environment, with 38% citing it as one of their greatest challenges. This was followed by developing the next generation of organizational leaders (31%). Perhaps due to a generally improving economic environment, maintaining competitive compensation (29%) was also among the top challenges currently experienced by organizations, according to HR professionals. This was followed by retaining the highest-performing employees (26%) and retaining employees overall (25%). Finding employees with increasingly

specialized skills (24%) was also seen as an important human capital challenge, as was maintaining competitive benefits offerings such as health insurance, retirement and other benefits (24%), as shown in Figure 1.

Even though employee engagement was considered the most pressing challenge, it should be noted that the issue of engagement is complex. Engagement challenges can vary widely depending on the individual characteristics of an organization and require thoughtful analysis and individualized attention.

Statistically significant sector differences were found between privately owned for-profit companies and government organizations in their views of managing the loss of key workers and their skill sets due to retirement as a top challenge (13% versus 36%, respectively; see Table 19 in the appendix). And although HR professionals showed a diversity of views, there was generally stronger agreement among the HR respondents than among the non-HR C-suite executives on what their greatest human capital challenges were (these findings are examined in more detail in "Non-HR C-suite Executives' Views of the HR Function").

Looking Ahead: Human Capital Challenges in the Coming Decade

Though most of the human capital challenges HR professionals see in their future are the same ones they struggle with today, there were some slight variations. Developing the next generation of organizational leaders took the top spot among the human capital challenges that are expected to dominate in the next 10 years, with 39% of HR professionals listing it as one of their top challenges. It was followed by managing the loss of key workers and their skill sets due to retirement (35%)—a large shift from the 15% who considered this a problem currently. Research by SHRM on preparing for an aging workforce has found that organizations are just beginning to become aware of this issue and to build strategies to prepare for this demographic shift. Few have made changes to any policies and practices to prepare for an aging workforce. This trend may change as more organizations begin to lose key talent to retirement.¹ Maintaining

competitive benefits offerings such as health insurance and retirement benefits (26%) was also identified as a key human capital challenge for the future. Lower down the list were the challenges of maintaining competitive compensation offerings (24%) and retaining the highest-performing employees (23%). Maintaining high levels of employee engagement—the factor that is currently the top challenge according to the survey results—was also fairly low on the list of future challenges (20%), as shown in Figure 1.

Challenges Involving the HR Function

As the function designed to maximize employee performance and the management of employees, the HR function is at the heart of any organization's efforts to meet its strategic goals and objectives. Challenges that directly involve the HR function therefore have a ripple effect across all areas of the business and a direct impact on the bottom line.

Today's HR Function Challenges

The recession and its accompanying waves of downsizing and budget reductions have no doubt left their mark on HR departments across the world. For years, many HR professionals at all levels have had to work with fewer resources while trying to maintain employee morale under difficult conditions. These constraints are likely to have exacerbated many of the HR function challenges that were identified. For example, limited investments into the HR function during the recession would potentially lead to a more limited role HR could play in transforming the organization. Similarly, grappling with a more complex legal environment, creating an effective HR infrastructure and aligning HR technology practices to management strategy can all be assumed to involve at least some level of investment. If this investment—in legal expertise, increased HR staff or new technologies—was curtailed during the recession due to tighter budgets, this, too, could have intensified the challenges HR professionals have faced in recent years in their attempts to maximize employee performance.

When looking specifically at the current business challenges closely involving the HR function, HR professionals showed a high level of agreement (69%) that executing HR processes smoothly and efficiently under constrained resources such as time, staff, technology and finances is today's top challenge. This was distantly followed by moving HR from a transactional to transformational role within the organization (44%), the growing complexity of legal compliance (41%), creating an effective HR infrastructure that supports an employee-centric, service-oriented HR organization (35%) and aligning HR technology practices to organizational management strategy such as a more flexible and mobile workforce (33%).

Overall, few HR respondents (16%) were currently concerned about attracting highly competent HR pro-

FIGURE 1

What Are Your Organization's Greatest Human Capital Challenges?

HR Professionals' View



Note: Currently n = 429; Next 10 Years n = 408. Percentages do not equal 100% due to multiple response options. Respondents could select up to three options.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

professionals that fit with their organization’s HR strategy (see Figure 2), suggesting overall satisfaction with the skills and level of preparedness of their current HR staff. However, statistically significant differences were seen between larger and smaller companies around this issue. Whereas only 6% of HR professionals from companies of 1-99 employees cited this as a challenge, 32% of those at companies with 2,500-24,999 employees and 33% of those at companies with 25,000 or more employees said this was a key challenge for them. This difference may be due to the need for more specialized HR expertise at larger organizations or the unique challenges involved in HR management at very large companies. HR professionals in small organizations may not have the same tasks and responsibilities as those in larger organizations with respect to attracting and developing their HR staff—some at the very smallest organizations may not even have an HR staff. Thus issues around HR staff innovation and expertise may be quite different depending on the organization’s size.

There was also a statistically significant difference between the smallest and largest companies on the issue of moving HR from a transactional to transformational role within the organization. Whereas only 32% of HR professionals at the smallest companies (1-99 employees) cited this as a key challenge, 67% of those at the largest companies (25,000 or more employees) identified this factor as one of their key challenges (see Table 21 in appendix). These data suggest a potential difference in expectations of the HR function in small organizations compared with larger organizations. The challenge of scaling HR programs and strategies in a way that will affect thousands

of employees is considerable. HR professionals at smaller organizations may find it easier to influence their organizational leaders and therefore play a more strategic role.

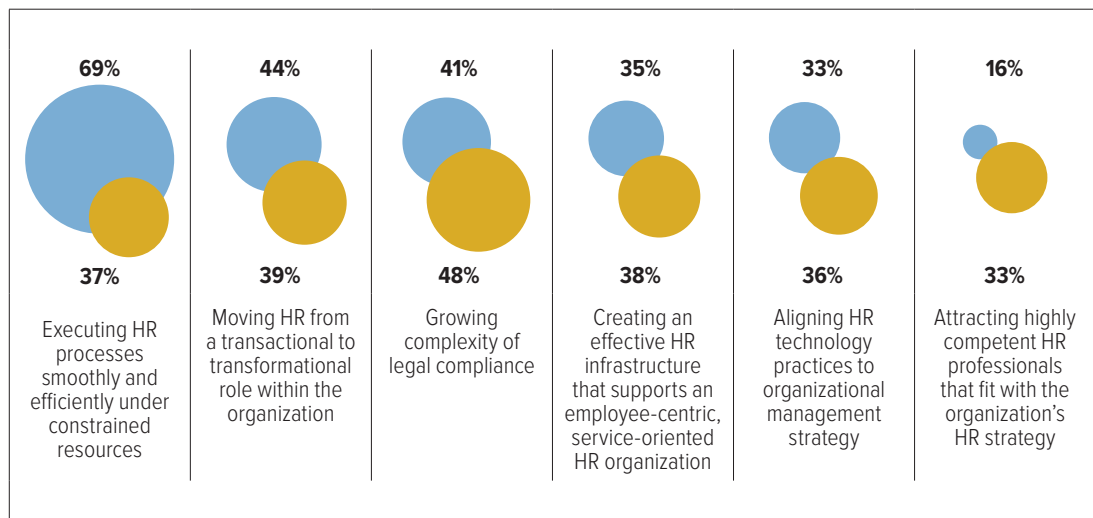
Looking Ahead: HR Function Challenges in the Coming Decade

As they looked to the future, the HR professionals surveyed shifted their thinking regarding what challenges they considered the most critical, and a more optimistic view of some factors emerged. For example, 37% of HR professionals thought that executing HR processes smoothly and efficiently under constrained resources would be a challenge over the next 10 years compared with the 69% who identified this as a current challenge. Likewise, slightly fewer (39%) felt that moving HR from a transactional to transformational role within the organization would be a challenge in the next 10 years compared with the 44% who experienced it as a key challenge today.

However, HR professionals saw many aspects of the HR function growing more difficult as they looked to the future; almost one-half (48%) viewed the growing complexity of legal compliance as a future challenge compared with 41% who viewed it as a key challenge in today’s business environment (this was also considered a critical future HR function challenge by non-HR C-suite executives, as covered later in this report). The greatest difference, however, related to the challenge of attracting highly competent HR professionals. Whereas 16% currently saw this as a key challenge, 33% believed it would

FIGURE 2

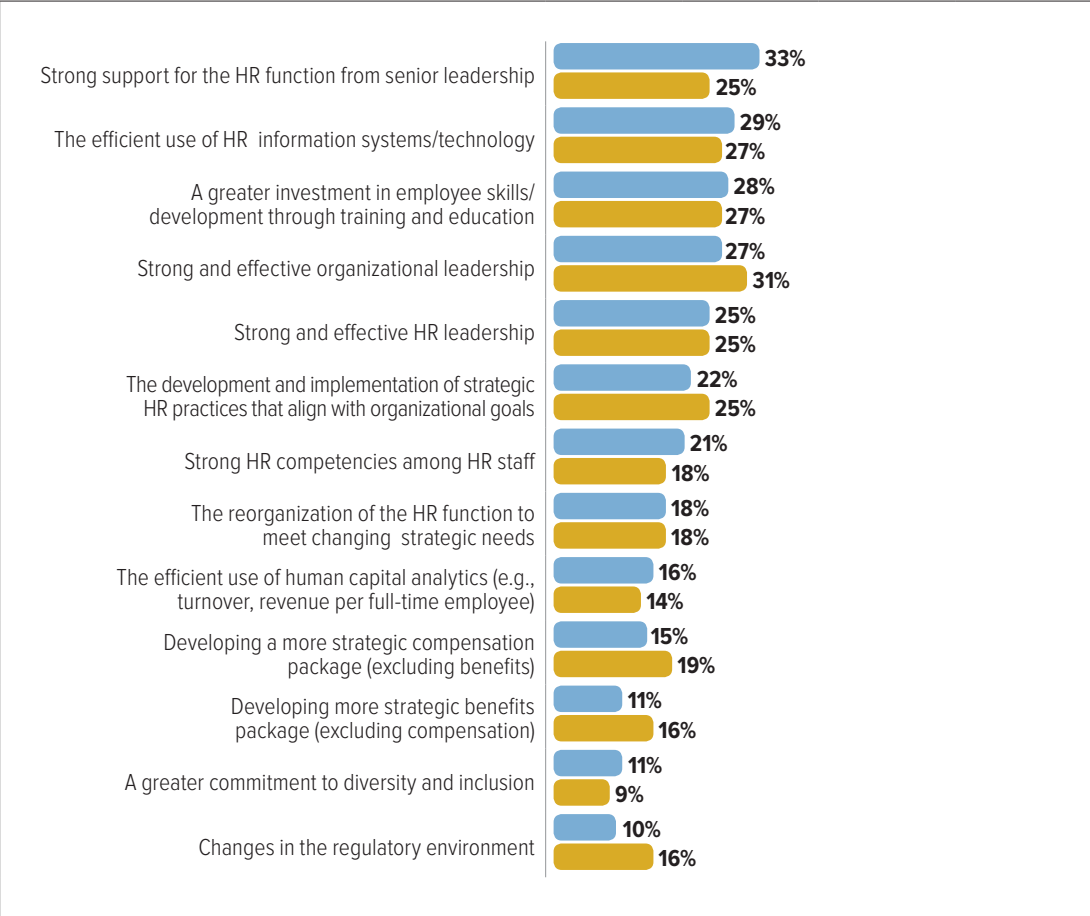
What Are Your Organization’s Greatest Challenges Involving the HR Function? HR Professionals’ View



Note: Currently n = 407; Next 10 Years n = 374. Percentages do not equal 100% due to multiple response options. Respondents could select up to three options. Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

FIGURE 3

What Key Factors Determine Your Organization’s Ability to Successfully Meet HR-related Challenges?
 HR Professionals’ View



● Currently ● Next 10 Years

Note: Currently n = 387; Next 10 Years n = 365. Percentages do not equal 100% due to multiple response options. Respondents could select up to three options. Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

be one of their organizations’ future HR challenges (see Figure 2).

The issue of moving HR from a transactional to transformational role within the organization also saw some significant differences based on organizational size. Thirty percent of the smallest employers (1-99 employees) saw this as a key future challenge compared with 58% of organizations with 2,500 to 24,999 employees. Interestingly, 19% of HR professionals at organizations with 25,000 or more employees agreed that this was a key future challenge for their HR function despite the high percentage (67%) of them who currently see it as a challenge. This may be because many HR professionals at the largest employers are currently deeply involved in efforts to make this shift and believe these efforts will bear fruit in the next decade. They may thus consider themselves to be further along in the transition to a transformational

and strategic role within their organizations compared with those at organizations that are not as large; many HR professionals at these very large companies may even feel that they are already firmly positioned at the strategic center of their organizations.

When asked what key factors they believed currently determine their organizations’ ability to successfully meet these HR-related challenges, 33% of those surveyed said strong support for the HR function from senior leadership was critical. This contrasts sharply with the views of non-HR C-suite executives, 16% of whom believed that support from senior leadership was a key factor. This factor was followed by the efficient use of HR information systems/technology (29%), a greater investment in employee skills/development through training and education (28%), strong and effective organizational leadership (27%), strong and effective HR leadership (25%), the de-

velopment and implementation of strategic HR practices that align with organizational goals (22%) and strong HR competencies among HR staff (21%).

Figure 3 shows these current factors compared with the factors HR professionals believed would be critical in meeting their HR function challenges in the next decade. The largest differences were in strong support for the HR function from senior leadership, which dropped from 33% to 25%. This may indicate that HR professionals are growing more confident that they will have the needed support in the future to meet these challenges. Overall, however, the current and future HR success factors identified by HR professionals were fairly aligned.

Financial Challenges

When asked about which financial challenges they thought would be most pressing in the coming decade, about one-half of HR professionals identified obtaining human capital—defined as the collective skills, knowledge or other intangible assets of individuals—as most important. This finding once again underscores the importance of finding the right employees with the needed skills and experience in the years ahead. This factor was followed by compliance with laws, rules and regulations (38%). The complexity of legal compliance is a trend that often comes up as a key concern in other SHRM research, such as the *SHRM Workplace Forecast* report, which is based on a wide-scale survey of HR professionals on broad trends affecting the workplace. It found that 53% of HR professionals thought the growing complexity of legal compliance for employers would have a major impact on the workplace over the following five years.²

Resource allocation—that is, choosing from year to year where to invest strategically (37%)—was another top

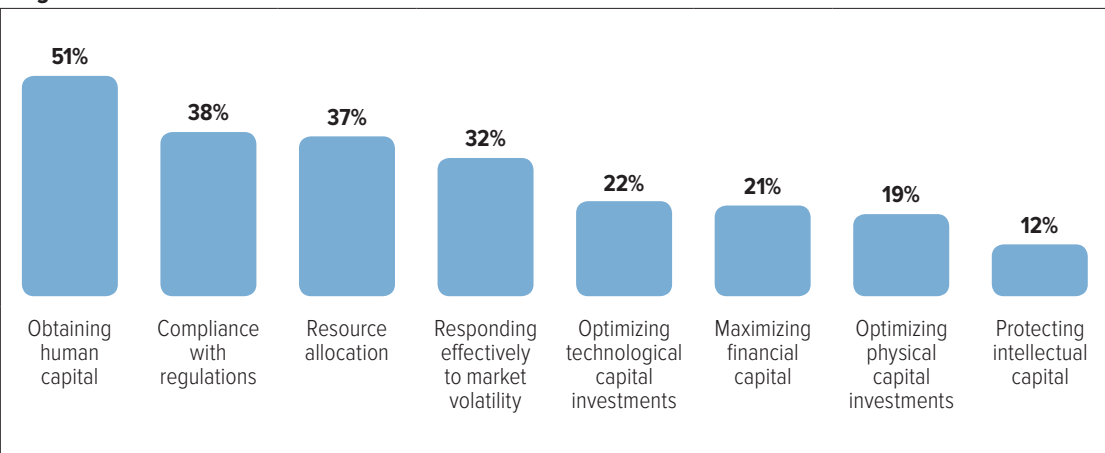
HR professionals appear to be growing more confident that they will have the needed support in the future to meet these challenges.

factor and may be particularly important in organizations where resources are still limited or in markets where disruptive change is a constant. This was followed by responding effectively to market volatility overall (32%), optimizing technological capital investments (22%), maximizing financial capital (21%) and optimizing physical capital investments such as factories, buildings, trucks, tools, machinery and equipment (19%).

Interestingly, though a majority identified obtaining human capital as their most pressing financial challenge in the coming decade, very few identified protecting their intellectual capital as a top challenge. Intellectual capital in this context was defined as informational assets such as data, patents, process documentation, etc. As shown in Figure 4, 12% of HR professionals identified this as a key financial challenge for the coming decade. This overall finding is likely due to differences in the importance of intellectual capital between industries and especially between large and small organizations (see Table 24 in the appendix) and in perceptions of how much investment is needed to secure intellectual capital. While this investment may be quite high in some industries, such as high-tech, it may not factor in as much in others. This find-

FIGURE 4

Over the Next 10 Years, What Do You Think Will Be the Biggest Financial Challenges Facing Your Organization? HR Professionals' View



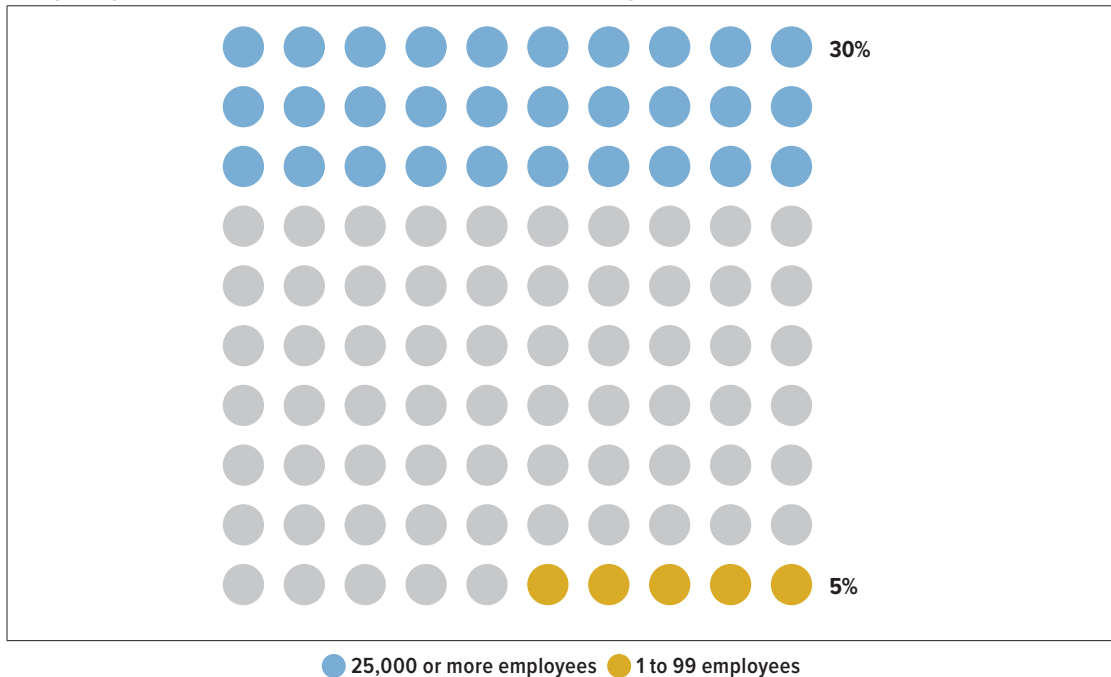
Note: n = 372. Percentages do not equal 100% due to multiple response options. Respondents could select up to three options.
Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

ing is also interesting in the context of global growth and global organizations. Laws relating to intellectual capital vary widely around the world, and intellectual property can be more difficult to protect in some locations. As data breaches and intellectual property theft—including the theft of sensitive employee data and information—continue to make the headlines, HR professionals may grow more focused on this issue.

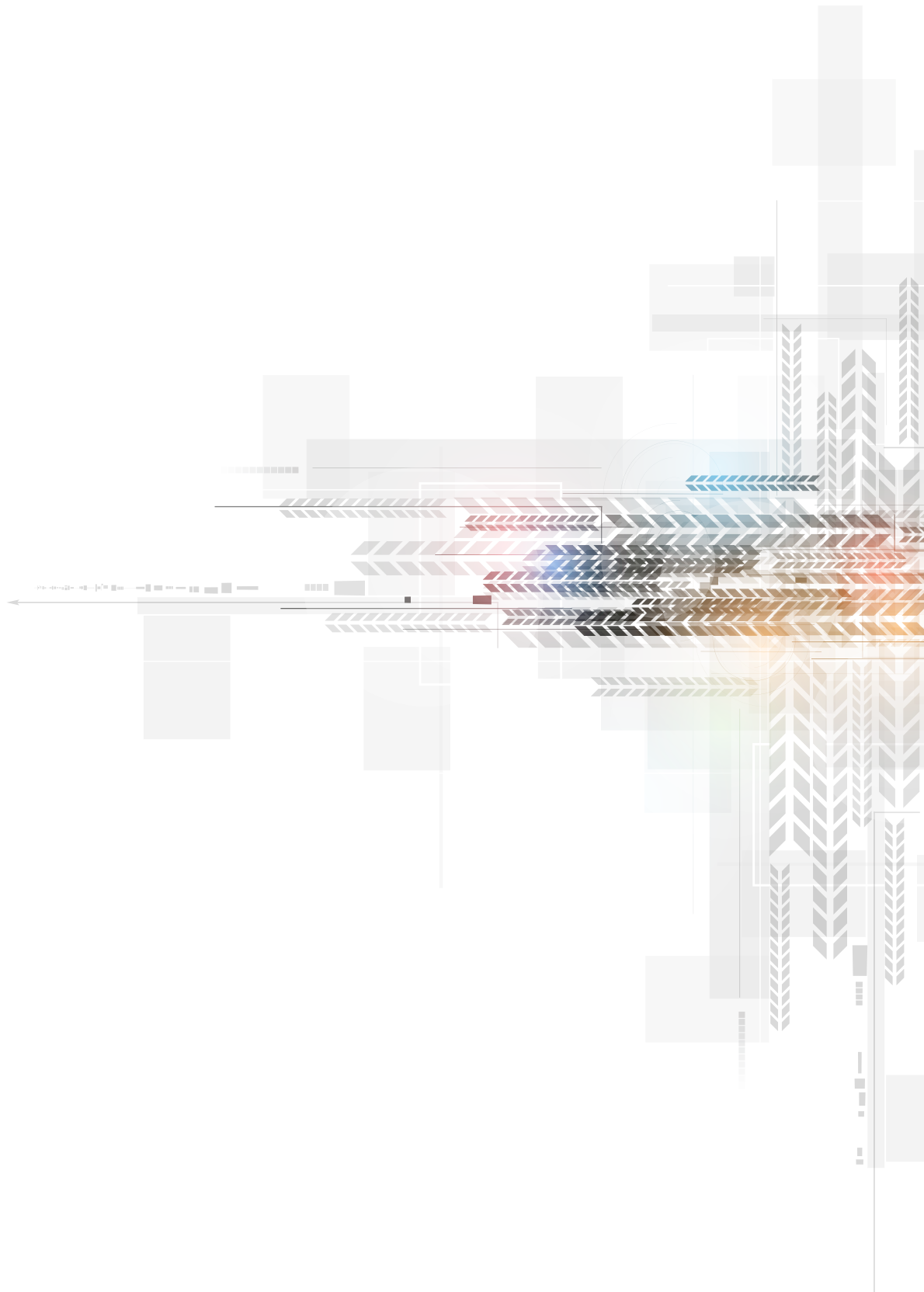
There were several statistically significant differences by sector and organization staff size. Whereas 43% of HR professionals from publicly owned for-profit organizations and 37% from privately owned for-profit organizations said that responding effectively to market volatility would be a key financial challenge in the decade ahead, 12% of nonprofits and 7% of government respondents rated this as a top financial challenge (see Table 23 in the appendix). Conversely, only 7% of publicly owned for-profit companies said that maximizing financial capital would be a key financial challenge compared with 32% of nonprofits. The greatest difference by organization staff size involved protecting intellectual capital. This issue is of much less concern to the smallest organizations (5%) compared with the largest (30%), as shown in Figure 5 as well as Table 24 in the appendix. Larger organizations may have greater amounts of intellectual property such as patents requiring their attention and are thus more focused on this aspect as a financial challenge.

FIGURE 5

Large Organizations Are More Concerned About Protecting Intellectual Capital



Note: Only statistically significant differences are shown.
 Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)



Perspectives: Talent Management and Engagement

Sustaining Employee Engagement and Job Satisfaction

Karen Paul, Ph.D., Leader of the Global Measurement Center of Expertise, 3M



Karen B. Paul is the leader of the Global Measurement Center of Expertise at 3M. Her research has been published in both major academic and professional journals. Karen's newest book chapter is in Using Experience to Develop Leadership Talent, detailing the close collaboration at 3M that has resulted in numerous awards. Karen received her Ph.D. in industrial/organizational psychology from Bowling Green State University. She is a Fellow in the Society of Industrial and Organizational Psychology and a charter member of the Association for Psychological Science. Karen also sits on the board of directors of the SHRM Foundation and is the 2015 Finance Chair.

A number of interesting reports are emerging that indicate business leaders are feeling they are not realizing the benefits of employee engagement initiatives.³ One interpretation could be that employee engagement initiatives don't work. Yet, CEOs are citing employee engagement as one of their top five global business strategies for their organizations,⁴ and the topic is clearly rising in the minds of business leaders.⁵ There is also a soon-to-be-billion-dollar industry that has arisen⁶ to support and advise around these initiatives. Perhaps another interpretation could be that the sentiment is more a reflection of the enormous and ever-increasing challenges due to the fast-moving business landscape than any actual disconnection of organizational outcomes derived from positive work attitudes.

A 2015 SHRM research report confirms the importance of the fundamental facets of job satisfaction to employees.⁷ It seems the importance of various contributors to job satisfaction, such as pay and benefits, co-workers, supervision, career and challenging, meaningful work, has not fundamentally changed since these dimensions were articulated in the ground-breaking work of Smith, Kendall and Hulin⁸ and other researchers of the time. Although employee engagement as a construct has a much shorter research history,⁹ the accumulating research evidence that it is linked to organizationally relevant outcomes is compelling.¹⁰

Challenges

What is fundamentally shifting are the dynamics of the workplace in which these constructs play out.¹¹ The same uncertainties currently plaguing the global economy and a firm's economic viability are also creating seismic shifts in the nature of work on an individual level and presenting a variety of new challenges in engaging employees for organizational performance. The challenges facing inspiring employee engagement and achieving both job satisfaction and organizationally relevant outcomes are many, varied and interconnected. The speed and complexity with which business moves today requires everything to be done in less time. Yet, when this pace results in frequently shifting priorities,¹² individuals and teams can lose motivation because people are reluctant to act, fearing that they are working on the wrong things from the organization's perspective. During times of turbulence, decision-making often can move up the organizational hierarchy as the organization attempts to reconcile competing priorities and achieve some sense of alignment. This can unintentionally further disempower employees who would usually add their own creative energies by following known priorities. Instead, employees have to double check or wait to be told what is required. Due to time constraints, true alignment may become elusive, generating a multitude of cascading first priorities and resulting in additional workload problems. To further exacerbate the situation, the solution to employees' frustration with workload¹³ directly competes with the organization's need for year-over-year productivity improvements, often euphemistically characterized as "doing more with less."¹⁴ Middle management is squeezed from both sides, with executive leadership demanding work be done faster and cheaper, while employees demand ever more flexibility to do their increasing workloads lest they go elsewhere.

To keep up with the velocity of organizational changes, job changes within the organization also increase. As people move into different roles, knowledge and progress can be lost on action items to sustain engagement. Continuity becomes even more difficult, and more work is generated as new players attempt to make sense of their environment and the problems at hand. As more solutions are demanded with insufficient time to work through complex problems, superficial approaches can predominate. These approaches can provide the illusion of resolution without long-term remediation. The issue then re-emerges (often in a more complex form with more urgency) at a later time, adding again to workload pressures.

Actions

There is no doubt that there are many challenges in today's world of work. However, there are several actions that organizations can take now to sustain and improve employee engagement and job satisfaction.

Simplify and Focus

A laser-like focus that pinpoints the most critical business priorities is crucial both for the reduction of overall workload as well as for providing a focal point for engagement initiatives to drive organizational performance.¹⁵

Increase Emphasis on Alignment

Several recent reports are indicating that careful coordination or alignment of employees through engagement activities to organizational goals is one of the fundamental keys for success.¹⁶

Focus on Education for Execution

While many vendors are focusing on differences in measurement approaches (pulse surveys, one-item daily surveys, shorter surveys, more action-based items) to enhance engagement, little attention has been paid to the execution side of the equation. Better equipping supervisors and managers with knowledge of how to confront real issues within the workplace and problem solve with peers and subordinates could go a long way in fundamentally enhancing the workplace. Once problems are identified, managers are expected to miraculously know how to address sometimes complex and systemic issues without much training or guidance. Providing tangible best practices and training to confront real workplace issues are key supports needed for effective action downstream.

Explore Greater Transparency Through New Communication Approaches

Watson Wyatt¹⁷ found that effective communication is essential to financial performance and employee engagement. Yet, Groysberg and Slind¹⁸ report that current corporate communication vehicles are broken and advocate new approaches to establishing two-way organizational conversations and the use of digital and social technologies to enhance collaborative conversations.

Leverage Experienced Talent

Harter's research suggests that higher-tenure employees report being less engaged than both people new to the organization or people about to retire. Yet, most current organizational work on engagement is being targeted at Millennials' needs. Harter argues that even a modest improvement in the engagement of the deeply experienced employees (if they have the right talent for their jobs) will result in an important untapped opportunity for most organizations.¹⁹

The Future

Additional work and thought are needed now to help best meet the challenges in the years ahead.

Redesign Work

The impact of work redesign and work enrichment has been well known since the 1950s.²⁰ Tools and technology have continued to change to make work design less complicated. Yet, there needs to be a serious effort in corporations to redesign and reduce individual workload. Work redesign should both empower and enable employees toward greater levels of engagement and satisfaction²¹ and aid in simplification. Perhaps breaking work down into micro-tasks that can be vended out separately or using data and predictive algorithms to remove work altogether will come to the rescue.²²

Explore New Methods of Strategic Planning

Corporate strategic planning models tend to rest on the underlying assumption that work for the full year can be planned and mapped out in its entirety. Yet, given the volume and velocity of change, new work requirements surface during the course of the year. Employees and management are then caught between what has been promised for the strategic plan (and on which most performance management and budget processes are predicated) and the realities of current demands of the business. New strategic models that do not rigidly hold to proscribed work but that are more opportunistic and dynamic are needed.

Enable Through Coordinated HR Practices

Although a great deal of work has been done on integrated HR,²³ further work in this arena is also needed. Employee engagement will always be limited by the amount of enablement that the organization provides. Enablement means providing the right tools and environment for engagement to flourish so that those who are engaged have the opportunity to make their maximum contributions.

Facilitate Recovery

Initially, engagement was conceptualized as the opposite side of the continuum from burnout.²⁴ Yet, across time the consideration of burnout and work overload on employee engagement has mostly disappeared from corporate discussions. Sonnentag found that individuals who received ample day-level recovery time were more likely to experience a high level of work engagement during the subsequent day.²⁵ Smartphone use, while providing flexibility, can also prevent enough away-time to assist in energy renewal.²⁶ Some organizations used to require employees to take a predetermined amount of vacation each year to get a real break from the workflow. Current technologies enable workflow to now come with employees on vacation. New approaches are desperately needed to facilitate rest and recovery in a 24/7 world.²⁷

Commit Long Term

Long-term commitment from the top is required to see engagement initiatives through various business cycles.²⁸ Yet, companies that are able to unlock the magic of engagement will continue to outperform others.²⁹

The actions needed now and in the future are simple but far from easy to achieve.

Modernizing the Employee-Employer Relationship

John Jersin, CEO, Connectifier



John Jersin is the co-founder and CEO of Connectifier, a recruiting technology software company that helps recruiters quickly and effectively connect with hundreds of millions of candidates. John began paving the way for Connectifier based on his passion for building high-quality teams at scale while leading the efforts of dozens of engineers in Google's ads group, where he launched the world's largest real-time web analytics platform. John is also a mobile trailblazer, having founded Zintin, a company that built two of the first 500 iPhone apps and acquired millions of users. John studied computer science at both UC San Diego, where he received his B.S., and Stanford University, where he earned his M.S. He was selected as one of the Top 50 Up and Coming Entrepreneurs in Southern California by SoCalTech.com.

There is a sentiment that suggests we have evolved beyond the prototypical industrial-era, adversarial relationship between employers and employees. What often goes unrecognized, however, is that the fundamentals of the company-employee relationship still have strong roots in the thinking that was first developed more than a century ago. Yet when it comes to how companies manage talent, they have changed a lot, and they still have a great distance to go.

Modern companies, and the relationships they have with workers, emerged largely during the industrial revolution. The conception of employees was simple at the time; a company that assembled widgets hired people to assemble widgets. Producing more widgets meant hiring more people, and the primary qualification for the job was simply being able to put widgets together. Workers were not put on a path to promotion, and workers were viewed as more or less interchangeable. This perspective on employees can be called the "production view" of people, where the company treats people more or less the same way it treats machines. This view of employees has changed tremendously over the last several

decades, but rather than sitting back and thinking that we are close to treating people the right way, there are clear signs that we actually need to accelerate the innovation on how those of us in HR handle people.

A Need for Change

HR professionals today are rightly proud to treat people with much more dignity and respect than early companies did. Yet the production view of people still reigns at the most strategic levels. Throughout the organization we refer to budget and headcount, implying that we still view people as units that take a certain input (salary) and produce a certain output (e.g., salespeople produce sales, web developers produce web pages). We recognize that the world is more complicated on the ground level (for example, HR professionals and managers throughout an organization routinely look at an individual employee and think about what his or her nonmonetary motivations are). We care not just about employees' work products, but how they work, how they affect their team and the corporate culture. Yet when we talk about hiring, we look at budget and headcount as if people are machines that we just need to buy and install.

Budget and headcount numbers are simple, but it's not a good kind of simplicity. For comparison sake, it's worth looking at the finance department, which deals with financial capital differently from how HR and talent functions deal with human capital. Profit has its rightful place as the most important metric, but every CFO worth a penny can tell you about assets, debt ratios, equity value and lots more. In the world of human capital, can we honestly say we are as organized? As an HR professional or manager, do you know right now how many people in your company are able to provide effective mentorship to junior employees? Do you know how many management positions are expected to open up in the next quarter? We know these things matter to current and future employees as much and often more than money, but we fail to account for them the way we account for budget. These failures expose the simplicity in the budget/headcount model for what it is—a lack of sophistication.

Nonmonetary Compensation

I believe there are two kinds of efforts we need to undertake to effect a change toward a more complete view of compensation. Today most companies already do a good job of articulating things like health benefits, which are necessary to stay competitive, and fringe benefits like free lunches or gym memberships, which are widely viewed as somewhat minor. The first necessary change I see is to track other, more core benefits. For example, I routinely see candidates who are running from an employer where they felt the team was unsupportive. For those of us who do the hard work to ensure a positive culture, why don't we have on hand proof of our success that we can show such candidates? Why doesn't every company conduct internal surveys on topics like how supportive teammates are? Such a report could not only help us detect and fix problems that hurt employee morale and retention, but also function as a recruiting tool that could advertise a specific aspect of a prospective employee's compensation—an emotionally positive work environment.

There are many items that are rarely (if ever) tracked but factor strongly into an employee's decision of where to work and whether to stay at a company, as well as his or her overall level of motivation. Although I have seen firsthand that building a kind of compensation inventory system is difficult, I have also seen it matter much more than even fairly large differences in salary to many very high-quality candidates and employees. The details of such an inventory are a topic for another time, but the important thing is to get started moving in this direction. I know of no company today that can't make at least some steps in this direction.

The second change I want to discuss is perhaps simpler in concept but harder in terms of execution as it requires changing not just the way we think but the way others think. The production view of employees has so dominated our culture and interactions that even candidates and employees have effectively been trained to view themselves this way—and it badly needs to stop. Although the power of money in compensation is undeniable, candidates often over-focus on this one factor. After taking a marginally higher-paying job, many people find that the environment (which they knew nothing about before starting) doesn't satisfy their numerous other needs and ambitions. The outcome is that the company

has an under-motivated employee, eventually needs to replace that person, and the employee spends a significant portion of his or her life being less happy than he or she could have been. The solution to this mess is simple. In addition to talking to candidates about the things that matter to them, we need to talk to them about why they matter.

We know already that money is not the only thing people value. We need to start counting all those other things, which are, in essence, our nonmonetary budget. By measuring we can not only understand but also improve and advertise to potential employees.

We are at a unique juncture in history. Although we have evolved substantially since the modern corporation first emerged more than a century ago, we are in a new era that demands new thinking and the application of fresh views on the relationship between employees and the companies they help build. This will be, as it has been already, both hard and exciting work. But fundamentally it is about making our companies run better, making people happier, and further humanizing the individuals who literally keep the world running every day.

Tapping into the Global Talent Market

Lynn Shotwell, Executive Director, Council for Global Immigration, and Andrew Yewdell, Global Immigration Specialist, Council for Global Immigration



Lynn Shotwell has served as executive director for the Council for Global Immigration (CFG) since 2004. She began her career at CFG in 1996 as legal counsel and director of government relations. Ms. Shotwell has served on steering committees and boards of numerous organizations, including the Alliance for International Educational and Cultural Exchange, Compete America, Multinational Employers for Working Spouses, and the Executive Working Group on Global Mobility Policies. She is a frequent lecturer on global mobility policies and practices and has testified before the U.S. Congress, the United Nations, the Organization for Economic Cooperation and Development, the World Bank, the International Organization on Migration, and the Global Commission on International Migration. Prior to joining CFG, Ms. Shotwell practiced immigration law at Arent Fox and worked in the human resources department at Oldsmobile. She received her B.A. in international relations from Michigan State University and a J.D. from the University of Michigan.



Andrew Yewdell is a member of CFG's Government Affairs team and supports CFG's initiatives related to employment-based immigration policy at the international governmental level as well as in trade agreements and countries outside the United States. Previously, he helped administer CFG's J-1 Exchange Visitor Program and assisted with global immigration research. Prior to joining CFG, Mr. Yewdell developed and coordinated online international exchange programs and worked as an immigration paralegal. He holds a B.A. in comparative politics and a certificate in Near Eastern studies from Princeton University.

Globalization and innovation affect all employers—large and small, non- and for-profit, multinational and local; however, globalization and innovation stalls without the cross-border movement of human capital. In fact, 86% of employers say that a timely, predictable and flexible migration system is critical to their business objectives.³⁰ That so many employers rely on well-managed migration is to be expected, but that 14% can be blind to this need is surprising.

Even if a firm does not file visa applications for its own employees, the efficient delivery of goods and services almost certainly depends on foreign talent somewhere in the supply chain (or future workforce). The increasing complexity and uncertainty of migration policies around the world, coupled with the heightened scrutiny of the employment practices of firms and their suppliers, mean that effective migration policies and processes should matter to us all.

The Competition for Talent Is Real and Global

It's widely accepted that human capital spurs the competitiveness of employers and economies. The World Economic Forum contends that "human capital is critical not only to the productivity of society, but also the functioning of its political, social and civic institutions."³¹ Yet the demand for high-skilled labor is growing faster than supply, with 38 to 40 million fewer workers with advanced education than employers will need worldwide.³² CEOs identify human capital as the issue that most keeps them up at night.³³ Employers report difficulty filling critical positions, not only for the well-publicized STEM positions, but also for managers and executives and skilled trades.³⁴ In the United States, nearly three out of

four HR professionals expect skilled worker shortages to have a major impact on the workforce over the next five years.³⁵

Unprecedented demographic shifts currently taking place around the world exacerbate skills shortages as well as shift market opportunities. A rapidly aging population will shrink the domestic pool of talent in developed markets and create demand for new services, while growing populations in Africa and parts of Asia will create more demand for education and other household products and services. Matching talent to demand across borders is one of the greatest human capital challenges of the 21st century.

A multi-pronged approach is needed to develop domestic talent while attracting foreign talent.

For much of the past decade, forward-thinking governments have sought to attract skilled workers, students and entrepreneurs by streamlining their migration processes. They realize that policies that facilitate the entry of high-skilled talent contribute to a competitive economy and provide jobs for local workers. The European Union is currently exploring policies to attract the “workers that the EU economy needs” as part of the European Agenda on Migration.³⁶ The Australian government has similarly recognized that “highly skilled migrants are critical for a strong and vibrant economy, bringing know-how, innovation and entrepreneurship and also helping to plug short-term skills gaps.” As such, they are devising migration reforms and policy enhancements to better attract talented immigrants. Discussions on talent mobility are also taking place in international forums, such as the G20, United Nations and Global Forum on Migration and Development, and in trade negotiations.

Although most governments recognize the need for innovative migration policies, efforts at reform are complicated by a growing backlash from the public, organized labor and civil society organizations voicing concerns that employers use foreign labor to undercut wages and opportunities for local workers. Of particular concern are situations where brokers recruit vulnerable foreign laborers, often charging exorbitant fees, seizing travel documents and leaving the workers in a state of indentured servitude.³⁷ Unethical recruitment and forced labor merit international attention, but high-skilled migration includes a population that is far less vulnerable to such exploitative practices and is a distinct issue for the most part. Nonetheless, the confluence of these disparate issues puts the spotlight on multinational employers who are expected to exercise best practices in managing the global hiring practices of their organizations and their suppliers.

Global Challenges: Policy Uncertainty and Increased Scrutiny

The ability to get the right talent to the right place at the right time can make or break a business deal. Unfortunately, employers are often hamstrung by migration policies and processes that obstruct the timely, predictable and flexible access to talent. Barriers to the free movement of talent can be caused by outdated policies and quotas, ever-changing policies that disrupt plans overnight and nonexistent or inconsistently implemented policies. In the U.S., the insufficient H-1B cap and annual limits on green cards create a talent bottleneck, preventing employers from hiring the highly skilled immigrants they need. In Canada, the recent overhaul of the permanent and temporary migration systems has slowed the flow of talent to a trickle. South Africa’s introduction of new migration laws in 2014 led to inconsistent policies and crippling uncertainty for employers. Other emerging and frontier markets lack migration infrastructure to accommodate modern business needs, leaving employers without a predictable means for deploying and hiring foreign talent. Global business is accelerating, but considerable barriers to labor mobility persist, preventing employers from optimally participating in the global marketplace.

This uncertain environment coincides with a parallel trend of enhanced scrutiny and enforcement. As governments implement more sophisticated electronic tracking systems and invest in more audits of employer records, even brief, casual and innocent work without the proper permits can result in fines, debarment, reputational damage and even criminal penalties for senior executives or globally mobile employees. In May 2015, the U.K. Prime Minister announced plans to create new labor market enforcement agency and new recruitment regulations with the aim of reducing net immigration.³⁸ Nigeria recently passed a migration law that establishes stricter penalties for noncompliance and increased reporting requirements.³⁹ The German government has increasingly scrutinized applications for work

permit extensions and increased onsite compliance audits.⁴⁰ These cases are just a small sample of a pervasive trend.

When managing global talent operations, work and residency permit compliance should not be the only area of concern. Employers should carefully monitor compliance with tax laws, anticorruption laws, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, and laws regulating international labor recruitment, such as the recent U.K. Modern Slavery Act. In some cases, vigilance must extend to supply chain management, as with the California Supply Chain Transparency Act and the anti-human-trafficking Federal Acquisition Regulation affecting federal contractors.

What Employers Need to Do

We know that employers need timely, predictable and flexible policies, but the Council for Global Immigration's Employer Immigration Metrics Survey quantifies how much it matters in terms of time and money. In 2013, the top five employers surveyed spent \$800,000-\$1,305,733 on U.S. government fees alone. Employers also reported spending five times longer on visa paperwork than U.S. government estimates.⁴¹ After all this, employers must wait weeks, months and even years to obtain all necessary permits. Employers are willing to invest time and money and wait out processing because talent mobility is critical to their business operations.

In light of the substantial investment and challenging regulatory environment, employers should heed three key lessons:

- **Prioritize compliance.** Talent mobility is being scrutinized like never before. Employers must carefully adhere to all regulations because the consequences of noncompliance or haphazard work are significant.
- **Managing global mobility is time-consuming and uncertain.** Migration processes do not happen overnight, and outcomes are rarely guaranteed. Unexpected obstacles can delay hiring or deployment of critical foreign employees. Expectations must be managed to prepare for potential delays, and contingency plans should be developed.
- **Push governments and public opinion.** Employment-based migration is a pillar of the globalized economy and driver of growth and jobs, but it is also highly politicized. Employers should educate governments and skeptical publics on the benefits to all of a well-regulated migration system.

Working together we can create a system that meets the needs of the 21st century economy.

Flexibility—Central to an Effective Workplace

Ellen Galinsky, President and Co-Founder, Families and Work Institute



*Ellen Galinsky, president and co-founder of Families and Work Institute (FWI), helped establish the field of work and family life during the time she was at Bank Street College of Education, where she was on the faculty for 25 years. Her more than 100 books and reports include the best-selling *Mind in the Making: The Seven Essential Life Skills Every Child Needs*, *Ask The Children* and the now classic *The Six Stages of Parenthood*. She has published more than 300 articles in journals, books and magazines. At the Institute, Ms. Galinsky co-directs the *National Study of the Changing Workforce*, the most comprehensive nationally representative study of the U.S. workforce—updated every five to six years. She also co-directs *When Work Works* (a project on workplace flexibility and effectiveness first funded by the Alfred P. Sloan Foundation that has produced a series of research papers and has launched the *When Work Works Award*—formerly *Sloan Award*) as well as conducted the *National Study of Employers*, a nationally representative study that has tracked trends in employment benefits, policies and practices since 1998. In 2011, the Society for Human Resource Management and Families and Work Institute formed a ground-breaking, multi-year partnership that takes*

When Work Works out to employers in 50 states.

Employees Today Want to and Increasingly Expect to Work Flexibly

Not that long ago, the idea of workplace flexibility was outside the realm of mainstream business. Yes, it existed, but where it did, it was likely to be seen as a perk or a favor, quietly provided, often under the table, to a chosen few.⁴² Its rise as a business issue is a direct response to an economy that's increasingly demanding, fast-paced and hectic—24/7 rather than 9 to 5. In response, employees are experiencing a pervasive time famine. The majority of employees in the United States report that they don't have enough time for themselves (60%), for their husbands, wives or partners (63%), or for their children (75%). What's more, the feeling of a time famine has continued to escalate over the years, according to

our ongoing nationally representative study of the U.S. workforce, the National Study of the Changing Workforce (NSCW), most recently conducted in 2008, with the 2015 study being conducted now.

In comparing various employee groups (by gender, by generation, by educational background, by industry, by part-time and full-time status, by union or nonunion membership, by managerial or nonmanagerial position, and by salary level), we have found—perhaps surprisingly—there are no differences among these groups, not even between mothers and fathers. If an employee has children, he or she is equally likely to feel deprived of time.⁴³

On the other hand, there are differences among employee groups in experiencing a lack of time with one's husband, wife or partner. Parents, full-time employees, more highly educated employees, managers/professionals, higher paid and younger employees are the most likely to feel deprived of couple time. The gap between parents (73%) and nonparents (52%) is particularly large. Clearly, parents seem to be giving up couple time and to feel the repercussions.⁴⁴

Similarly, there is a large difference between parents (72%) and nonparents (50%) in feeling they don't have enough time for themselves. Women, full-time employees, managers/professionals, unionized employees, salaried employees, employees living with a spouse or partner, employees making between \$25,000 and \$39,999 annually, and more highly educated employees are the most likely to feel deprived of time for themselves.⁴⁵

If experiencing a time famine is a serious problem for employees, then workplace flexibility is the logical solution. And, in fact, the 2008 NSCW finds that a large majority of employees—88%—report that having the flexibility they need to manage work and personal or family life would be “extremely” or “very” important if they were looking for a new job.⁴⁶ Younger employees (Gen Y and Gen X) are the most likely to say that flexibility would be extremely or very important to them than older employees (Boomer and Matures); in one study, 45% of 19-29-year-old employees in 14 counties (all college graduates) reported that they would take a lower salary to be able to work remotely.⁴⁷

Access to Flexibility Doesn't Match the Demand

Although the demand is high, not all employees have access to flexibility. In fact, one out of five employees disagreed somewhat or strongly that he or she has the schedule flexibility needed to manage the demands of work and personal life. Furthermore, having access to flexibility doesn't mean that one can use it without jeopardy. Over the years, two out of five employees surveyed in the NSCW report that their job may be in jeopardy if they use the flexibility their organizations provide.

Another ongoing nationally representative study of the Families and Work Institute, the National Study of Employers (NSE), conducted in partnership with SHRM, enables us to track the trends in workplace flexibility. The 2014 NSE reveals that flexibility around full-time work has increased, but flexibility around significant time away from work has declined.⁴⁸

Just as employees report that there can be job jeopardy for using the flexibility their organizations provide, we also find that manager support for flexibility has declined. For example, managers are less likely to assess employees on results than on face time (64% in 2014, down from 71% in 2008), and management is less likely to reward those in the organization who support effective flexible work arrangement (11% in 2014, down from 20% in 2008).

Flexibility Needs to be Defined Beyond Access to Programs and Policies

It is clear from the Families and Work Institute's findings that flexibility has to be seen as more than a program and policy. It has to include manager and co-worker support for its use. In our work, we have adopted a much broader definition that we term “work-life fit” or “workflex” (which was the title of our 2012 book on the topic) to encompass both flexible programs and policies as well as a culture that supports their use.⁴⁹

Flexibility Can't Be Seen as a Silver Bullet—an Effective Workplace Matters

Obviously, organizations aren't going to provide flexibility only because employees need and want it. For it to become a legitimate part of the business realm, it has to help the organization, not just the employees. And whatever variables we use—access to workflex or the absence of work-life conflict—employees are more likely to be engaged and satisfied with their jobs, want to remain with their employer and experience better health.⁵⁰

On the other hand, when we examine how flexibility is linked to the outcomes that are important to employers, flexibility is a much stronger predictor in combination with other factors.

To determine which other factors matter, we have used our nationally representative studies of the U.S. workforce since 1997, with over 600 data points, to identify the workplace factors that are most strongly predictive outcomes that matter to employers.⁵¹

We have found the most important factors are work-life fit, opportunities for learning, autonomy, supervisor support for work success, a culture of trust, and satisfaction with earnings, benefits and opportunities for advancement. Together these constitute an effective workplace, and we have found that employees in more effective workplaces are more engaged, more satisfied with their jobs, and less likely to plan on leaving.

We have further rank-ordered these factors to see how each is related to engagement, job satisfaction and a greater probability of retention, and found that job challenge and learning are the most important predictors of engagement relative to other effective workplace dimensions, but it is a relatively less important predictor of job satisfaction and turnover intention. On the other hand, work-life fit, including flexibility, is—perhaps surprisingly— the second most important predictor of job satisfaction and intent to stay in one's job.⁵²

Similarly, employees in effective workplaces are also more likely to feel healthy and report better well-being—clearly a result that is important to employers and employees alike. When we rank-ordered these factors, we found that satisfaction with earnings, benefits and opportunities for advancement is the major predictor of all of the health outcomes, but work-life fit is the second most important predictor of better overall health, less frequent sleep problems and lower overall stress, and the third most important predictor of less frequent health problems and fewer signs of depression.⁵³ In other words, flexibility, defined as workplace flexibility programs and policies as well as a supportive culture, is central to an effective workplace.

Translating Research into Action: When Work Works

Because the purpose of Families and Work Institute is to turn research into action, we have created an initiative called When Work Works, first funded by the Alfred P. Sloan Foundation and since 2011 conducted in partnership with SHRM. It is named When Work Works because we find that work can and should work for both the employer and the employee. With When Work Works, we invite employers to apply for and win a When Work Works Award. The application itself is a learning tool. As employers fill out the survey, they learn more about an effective workplace. Benchmarking reports for all applicants compare their data with award winners as well as with nationally representative data from the National Study of Employers and the National Study of the Changing Workforce. These benchmarking reports are also a helpful tool to use to plan improvements. Our online Guide to Bold New Ideas for Making Work Work is a compendium of the best practices from the winning organizations that others can use as inspiration for improvements in their practices, programs and policies, and translate the demand for workplace flexibility and effective workplaces into practice!

The Next Evolution of Diversity and Inclusion Work: Transformational Diversity

Sara Taylor, President, deepSEE Consulting



Sara Taylor, president and founder of deepSEE Consulting, has 25 years of extensive training and consulting experience serving local, national and global clients. While her areas of specialty are in both diversity and leadership development, Sara has become a thought leader particularly in the field of cultural competence. Her theories, models and frameworks are used by numerous organizations to increase success and create greater effectiveness. Sara holds a master's degree in diversity and organizational development and, prior to founding deepSEE, held positions such as chief diversity officer and leadership and diversity specialist.

Diversity fatigue. It's that feeling that employees in the workplace express when they see a diversity training on their calendar: "Seriously?! Diversity training again?" It's that feeling that seasoned diversity and inclusion (D&I) practitioners express when I run into them at a diversity conference, and they say, "We're still talking about the same issues we talked about 20 years ago!" It's that feeling that leaders in organizations get after supporting a D&I strategy but still not seeing the results they'd like to see.

This fatigue is a symptom of a larger issue. Despite decades of hard work by committed practitioners and leaders, the promise of D&I has remained ever outside our reach. As a practice of diversity and inclusion, our approach needs to evolve in order to fully meet that promise. It's time for transformational diversity.

Transformational diversity is a shift to a new level that requires us to actually operate differently. We enter the workplace—whether it is already diverse and inclusive or not—with new mindsets and skillsets that allow us to transform the situations we're in and the organizations we lead because we're actually able to see and respond to greater levels of complexity. This sets a goal that is much more challenging and thus requires more comprehensive work. When we operate in this stage, we ensure that differences transform individuals and their ideas, as well as their organizations, their environments and the work they generate.

This move also allows us to get much-needed traction as a practice. That's because the real reason we continue to spin our D&I wheels, in spite of our hard work, is the hard fact that many of us have yet to develop the skills necessary for today's diverse workplace.

Many of us are operating on the left side.⁵⁴ In a continuum of cultural competence development, there is a distinct difference between the first three stages on the left side, where we are significantly less effective, and the last two stages on the right side, where we reach higher levels of effectiveness as we interact with others. Fifteen percent of us have made it to the right side, but only 2.5% of us are in the last stage, where we have the level of competency necessary to achieve transformational diversity.⁵⁵

That's the bad news. The good news is we know how to develop those competencies.

When we operate on the right side, we begin to see a greater level of complexity when it comes to differences. The key is that we see those differences without judging them—consciously or unconsciously. They aren't good. They aren't bad. They're just different.

We're not talking about differences that are easy to see. We're talking about greater complexity, about the differences in our filters that determine how we see each other, the decisions we make and the behaviors we deem good, right and professional. The skills of transformational diversity require us to take on the filters of others, see from their perspective and adapt our behavior to respond differently.

Transformational diversity allows us to see greater complexity in our colleagues and, therefore, greater complexity in their contributions. When they are able to do the same, the benefits are exponential. With the skills of transformational diversity, we can regularly achieve the maxim of "the sum is greater than the whole of its parts." I am able to see myself and my ideas differently because I can see them through the eyes of others.

When we interact more effectively across differences, we naturally create environments with greater inclusion. We are also more effective at actually hiring and retaining diversity.

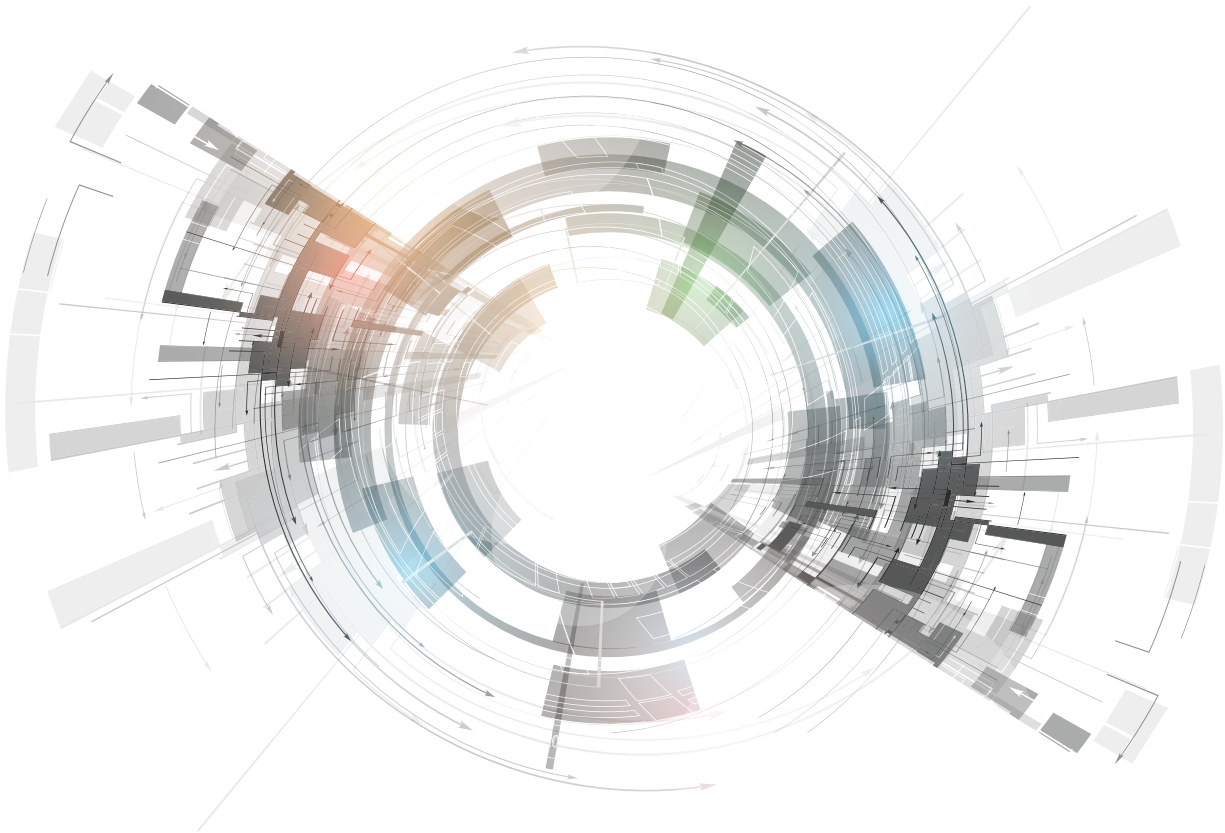
In fact, in a study by Peter Bye that analyzed the number of successful diverse recruits brought in by recruitment teams, we see that those few teams that have developed the competencies and mindset of transformational diversity were the most successful at recruiting diverse hires.⁵⁶

Transformational diversity allows us to fulfill the promise of diversity. For decades we have said that a diverse workplace is better, that diverse teams are higher-performing and make better decisions. In actuality, drawing from the research of Joe DiStefano, we learn that diverse teams can be the least productive and lowest-performing.⁵⁷ DiStefano specifically compared diverse teams with homogenous teams and then looked at their performance to see which group did better. He found that the majority of the diverse teams were also the lowest-performing teams, falling behind their homogenous counterparts. However, there was also an elite group of performers. Those were the very few diverse teams that outperformed the homogenous teams.

What makes that smaller group of diverse teams so elite and high-performing? It's their ability to interact more effectively with the diversity around them; their ability to see and respond to the complexities of the diversity; their ability to transform their perspectives and therefore the situations they are in; their ability to achieve transformational diversity

This is the new way forward.

Meeting the Challenges: HR Strategies, Competencies, Tactics and Tools



In addition to asking HR professionals about their current and future business challenges, the survey asked about the approaches the respondents were currently taking or were planning to take to address these challenges.

Tactics to Attract and Retain Talent

When asked about the tactics they felt would be most effective in attracting, retaining and rewarding the best employees in their organizations, HR professionals' most common response was creating an organizational culture where trust, open communication and fairness are emphasized and demonstrated by leaders (33%, as shown in Table 1). This aligns well with recent findings from the *SHRM Job Satisfaction and Engagement* research report, which found that respect and trust were at the top of the list of the most important job satisfaction factors for employees.⁵⁸ Other tactics identified included providing employees with opportunities for career advancement (29%), demonstrating a commitment to professional development (24%) and providing employees with the latest tools and technology to maximize work efficiency and effectiveness (21%). The spread of factors is partially due to multiple response options but may also reflect the array of tactics organizations may choose to use based on their specific industry needs, location and market for talent.

When looking ahead to the next 10 years, a few differences emerged. Creating an organizational culture where trust, open communication and fairness are emphasized and demonstrated by leaders was less likely to be chosen as a tactic in the next decade (27% compared with 33%—a 6 percentage point difference). Other declines included providing employees with the latest tools and technology (a 7 percentage point decline) and providing employees with job security (a 4 percentage point decrease). As discussed in greater detail in the following section on organizational design, HR professionals appear to be predicting a less traditional employment model based on freelance need-based employment, and this may be the reason for these decreases. A project or freelance employment model may be considered to eliminate completely the guarantee of job security. Further analysis of these two questions did show that those anticipating nontraditional freelance work were less likely to report job security as a challenge (1%) compared with those anticipating the use of traditional (8%) or project-based work (7%).

Meanwhile, there was an increase in the percentage of respondents who said they would offer flexible work arrangements such as flextime, telework or compressed work weeks as a tactic to attract and retain talent (6 per-

centage point increase), implement policies that support workers across life phases, such as parents of young children and those phasing into retirement (7 percentage point increase), and develop human capital management skills at all levels of the organization (5 percentage point increase).

Organizational Design

HR professionals appear to anticipate changes ahead in the employment models they use, the size of their organization and the mix of predominant employment status categories of workers.

Employment Models

The survey findings suggest that many organizations will attempt to shift to the use of different, less traditional employment models in the coming decade. Whereas currently 86% of the HR professionals surveyed said that their organization used a traditional employment model that provides employees with specific job roles, duties and responsibilities, this number dropped down to 60% when predicting that this model would be used in the next 10 years. Conversely, while 19% of survey respondents said their companies currently used a nontraditional employment model that stipulated the knowledge, skills and behaviors needed to perform a specific project or task without a focus on formal job roles (also known as project-based employment), 40% anticipated that this would be the employment model they would use in the next decade. The shift to nontraditional employment models also included the freelance need-based employment model that stipulates the competencies needed with no defined formal project, task or role. Although currently only 11% of organizations used this model, 26% said they anticipated using it in the next decade, as shown in Figure 6.

Size of Workforce

When asked about changes in the size of their organizations, just over one-half of HR professionals said they forecast that their organizations would grow. As shown in Figure 7, in the next 10 years almost two-thirds (58%) of those surveyed said they believed their organizations' workforce would increase. Meanwhile, only 11% believed their workforce would shrink, and 16% anticipated no change (14% were not sure). This finding runs counter

TABLE 1

Which of the Following Tactics Do You Believe Will Be Most Effective in Attracting, Retaining and Rewarding the Best Employees in Your Organization? HR Professionals' View

	Currently	Next 10 Years	Difference in Percentage Points
Creating an organizational culture where trust, open communication and fairness are emphasized and demonstrated by leaders	33%	27%	-6
Providing employees with opportunities for career advancement	29%	29%	0
Demonstrating a commitment to the professional development of employees (e.g., training, educational support)	24%	22%	-2
Providing employees with the latest tools and technology to maximize work efficiency and effectiveness	21%	14%	-7
Offering a higher total compensation package than organizations that compete for the same talent	18%	15%	-3
Having jobs designed to provide employees with meaningful work that has a clear purpose in meeting the organization's objectives	18%	17%	-1
Providing flexible work arrangements (e.g., flextime, telework, compressed workweeks)	17%	23%	6
Creating a stimulating and attractive organizational culture	16%	15%	-1
Providing employees better opportunities to use their skills and abilities	15%	15%	0
Providing employees with job security	13%	9%	-4
Creating an organizational culture where employees are encouraged to make decisions and take risks	11%	14%	3
Implementing policies that support workers across life phases (e.g., parents of young children, phased retirement)	11%	18%	7
Having a strong employee recognition program	11%	11%	0
Developing human capital management skills at all levels of the organization	11%	16%	5
Developing the capability of our internal HR staff/function	8%	7%	-1
Establishing the organization as a financially stable organization	8%	9%	1
Creating a highly inclusive culture that uses diverse perspectives to optimize organizational performance	7%	9%	2
Implementing policies to find and recruit the most skilled global workers	4%	6%	2
Demonstrating the organization's commitment to corporate social responsibility and sustainability	3%	4%	1

Note: Currently n = 360; Next 10 Years n = 345. Percentages do not equal 100% due to multiple response options. Respondents could select up to three options.
Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

HR professionals appear to anticipate changes ahead in the employment models they use, the size of their organization and the mix of predominant employment status categories of workers.

to the idea that workforces have been shrinking in the aftermath of the Great Recession and the belief that technology is making organizations less reliant upon larger workforces. Improvements in the economy and high corporate profits have many organizations adding to their headcount, and this may be leading to a more optimistic view HR professionals (and non-HR C-suite executives who also expect their workforces to grow) have of the future growth trajectory of their organizations.

Statistically significant differences were found between the large (2,500 to 24,999 employees) and the largest (25,000 or more employees) organizations. Whereas 73% of large employers expected to grow, only 41% of the very largest employers anticipated the same (see Table 25 in the appendix), perhaps because they felt they had already reached maximum capacity for growth in their industry.

Workforce Employment Status

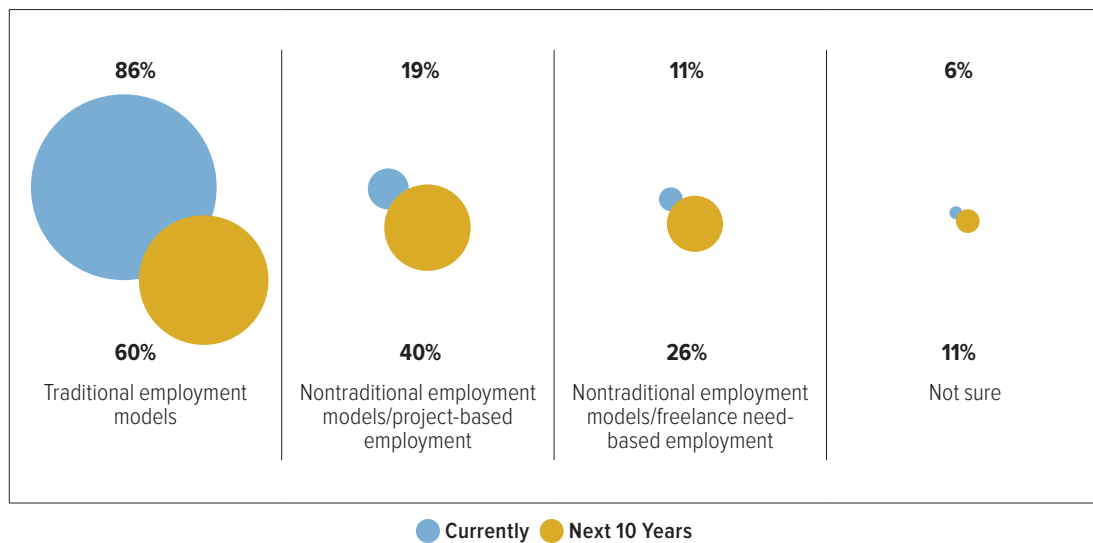
Changes in workforce employment status reflected HR professionals' optimism about the growth of their workforce. Sixty-five percent believed their organizations would add regular full-time employees, while 21% thought there would be no change and 14% thought this category would decline. Growth was anticipated for regular part-time employees (48%) and contract/temporary employees (51%). Forty-one percent of respondents expected part-time employment to stay the same and 38% expected contract/temporary employee levels to stay the same. The use of interns was expected to grow, with 59% of respondents saying they expected this job category to

increase while 40% said it would stay the same (see Figure 8). The findings suggest that more organizations are considering the advantages of internships and deciding to build up their internship programs. Although the lower cost of using interns compared with regular full-time employees to do similar work may be a reason some organizations are interested in such programs, internship programs also enable managers to vet a potential future employee and are useful when seeking a local talent pool from colleges and universities. Due to these advantages, universities have begun to increasingly emphasize internships to their students and have helped to advance and evolve the use of internships in partnership with the business community.

Additional analysis showed that those who say that they are increasing the number of contract/temporary workers are also likely to be increasing their full-time (66%) and part-time (58%) staff. This indicates that increasing headcount overall seems to lead to growth in all job categories and that so far no major displacement of full-time employees due to the increased use of contingent workers is underway. On the other hand, about one-half of HR professionals that project a decrease in the percentage of their staff made up of regular full-time employees simultaneously expect an increase in both part-time and contingent/temporary workers. This finding suggests that although most organizations expect to grow their staff and those that will increase their full-time staff also expect growth in all the other job categories, the minority that do forecast a decrease in their full-time staff seem to be planning to offset these decreases with greater use of part-time and contingent workers.

FIGURE 6

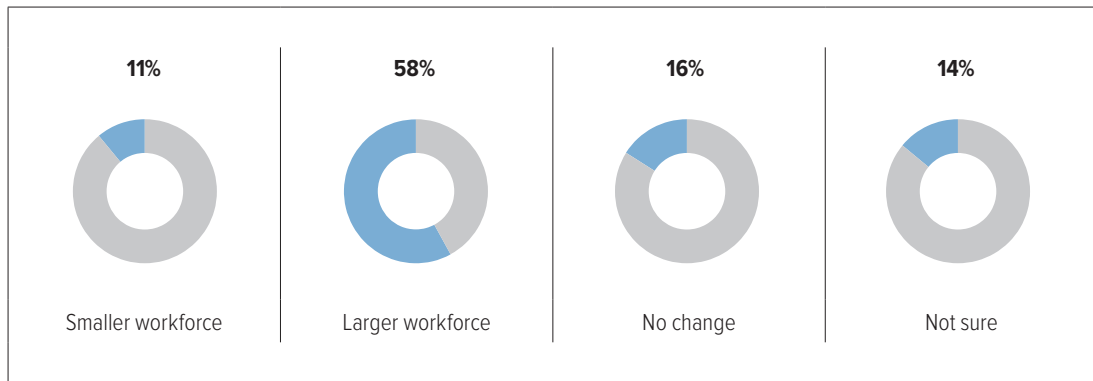
What Type of Employment Models Do You Currently Use/Expect to Use in the Future?
HR Professionals' View



Note: Currently n = 345; Next 10 Years n = 310. Percentages do not equal 100% due to multiple response options.
Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

FIGURE 7

Over the Next 10 Years, How Do You Expect the Size of Your Organization’s Workforce to Evolve?
HR Professionals’ View



Note: n = 366. Percentages do not equal 100% due to rounding.
Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

Statistically significant differences were seen between privately owned for-profit companies and their counterparts in the nonprofit and government sectors. Whereas 72% of HR professionals in privately owned for-profit companies forecast that their regular full-time staff would expand, 48% in the nonprofit sector and 41% in the government sector said the same. Conversely, only 9% of those in the privately owned for-profit sector thought their regular full-time staff headcount would decline compared with 27% in the nonprofit sector. Meanwhile, 46% of those in the privately owned for-profit sector forecast that their regular part-time employee headcount would remain essentially the same, compared with 17% in the government sector (see Table 26 in the appendix).

Strategic HR: Actions Organizations Are Taking

As the HR function grows more strategic, HR processes, practices, tactics and tools are becoming more closely tied to the overall strategy of the organization. Now that most organizations recognize the critical importance of human capital to their success, HR factors are increasingly taken into account when setting goals and determining the actions needed to achieve these goals.

The key actions organization are currently taking to make HR more strategic generally align with the actions they plan to continue to take in the future. Currently the most common action being taken is to simply refresh HR strategies such as selection, compensation and benefits, training and development to align with evolving business goals; 37% of HR professionals said this was one of their key actions. As shown in Table 2, this was followed by investing in HR professional development and focusing on HR competencies such as emerging business-critical skills (27%). Measuring the financial efficiency of HR

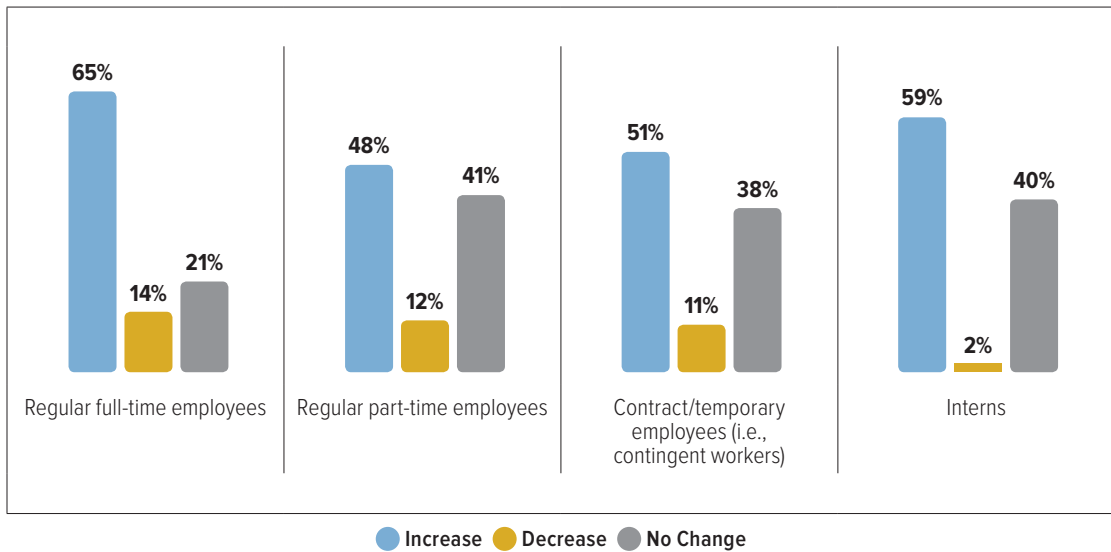
operations through the use of metrics like cost-per-hire, time-to-fill vacancies and the return on investment of training interventions was also fairly high up the list. It was followed by holding HR accountable for providing innovative solutions and programs (19%), getting senior executives more involved in implementing HR strategies (also 19%), developing broader business acumen among HR staff and engaging top executives to develop HR strategy (both 17%).

An interesting contrast here is that while engaging top executives in developing and implementing HR strategies were both fairly low on the list of actions HR professionals thought should be taken to make HR more strategic, they were among the top actions non-HR C-suite executives thought should be taken to make HR more strategic (taking first and third place respectively). Although HR professionals may be eager to have senior-level buy-in of HR strategies, this may not be the same thing as wanting top executives to get more involved in the development of these strategies. There could be some concern among HR professionals that if non-HR C-suite executives get too involved without in-depth HR expertise, it could affect the viability of these strategies.

However, both HR professionals and non-HR C-suite executives agree that refreshing HR strategies is a key action that is being taken today to make HR more strategic. The focus on HR effectively implementing HR strategies is a key theme throughout the survey of both HR professionals and non-HR C-suite executives—HR performing its role well appears to be at the core of what makes it a strategic function now and will continue to do so in the future. The importance of refreshing HR strategies in the current business environment may also point to a more positive job market for HR professionals. During the Great Recession, many HR programs and initiatives were put on hold. As business profitability improves, more organi-

FIGURE 8

Over the Next 10 Years, How Do You Expect Your Organization’s Employment Status to Evolve?
HR Professionals’ View



Note: n = 217-338. Respondents who answered “not sure” were excluded from this analysis. Percentages may not equal 100% due to rounding.
Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

zations may be reviving such programs, necessitating a greater investment in HR staff. The summer 2015 *SHRM HR Jobs Pulse* findings revealed that HR professionals were growing more confident about both their own job security and their ability to land a new HR job.⁵⁹

There were few major differences in the actions taken today and those that HR professionals expected to take in the future. The main difference was that fewer expected to be focusing on refreshing HR strategies in the next decade (30% in the next 10 years) compared with today (37%). This may be due to a sense that the alignment efforts currently being undertaken are building a foundation for the future that will make it less necessary for these strategies to be constantly reassessed and refreshed. A focus on fewer roles and more customization in the employee experience may also be driving the call for HR to be more strategic. Another major difference between current and future actions was in the percentage of respondents who identified linking HR to the organization’s assets through the use of metrics to demonstrate HR’s return on investment. Though only 10% identified this as an action their organization was currently taking to make HR more strategic, 22% said it was something their organization would do in the next 10 years—a 12 percentage point increase (see Table 2).

Statistically significant differences were seen between sectors in relation to moving strategic HR functions to business units, that is, moving toward a business-partner model. While 33% of publicly owned for-profit organizations said they were taking this action, only 11% of

privately owned for-profits were doing the same. And whereas only 10% of privately owned for-profit organizations said they were engaging in assessing the effectiveness of the overall HR function as seen by HR and its stakeholders, 32% of those working in the government sector said they were taking this action (see Table 27 in the appendix).

Looking ahead, there were significant differences between publicly owned for-profit organizations (31%) and government organizations (4%) that said that holding HR accountable for providing innovative solutions and programs was one of the key actions their organization would take in the next 10 years. There was also a large difference between the percentage of HR professionals at publicly owned for-profit organizations (17%) and privately owned for-profit organizations (4%) who identified developing a global perspective that values and considers the perspectives and backgrounds of stakeholders around the world as a top future action, as shown in Table 28 in the appendix.

Finally, there were also some differences based on organization size. Whereas only 10% of HR professionals at organizations with fewer than 500 employees identified moving strategic HR functions to business units (e.g., moving toward a business-partner model) as a key future action their organizations would be taking to make HR more strategic in the next decade, 39% of those at organizations with 25,000 or more employees said their organization would be taking this action (see Table 29 in the appendix).

Critical HR Competencies, Knowledge and Resources

To meet all of the challenges outlined as well as to help their HR function play a more strategic role in the organization, it is vital that HR professionals at all levels obtain the needed HR competencies. They also must have access to resources and tools that can help them continuously build their knowledge, competencies and skills. HR competencies can be either technical or behavioral. Whereas technical competencies primarily involve the acquired knowledge and technical skills specific to a certain type of professional (e.g., an HR professional), behavioral competencies are clusters of interrelated knowledge, skills and abilities (KSAs) that are more general and influence how professionals do their work. Both technical and

behavioral competencies are essential to success as an HR professional.

The following data involve responses to survey questions that were based on the SHRM Competency Model to see which competencies HR professionals felt were most critical to their success. A competency refers to a cluster of knowledge, skills, abilities and other characteristics (KSAOs) needed for effective job performance. A set of competencies that define the requirements for effective performance in a specific job, profession or organization are collectively referred to as a competency model.⁶⁰

The following nine primary competencies are considered in the model to contribute to individual exemplary performance that creates reasonable impact on business outcomes.

TABLE 2

To Make HR More Strategic, What Are the Key Actions Your Organization Is Currently Taking and Should Take in the Next 10 years? HR Professionals' View

	Currently	Next 10 Years	Difference in Percentage Points
Refresh HR strategies (e.g., selection, compensation, benefits, training) to align with evolving business goals	37%	30%	-7
Invest in HR professional development and focus on HR competencies, such as emerging business-critical skills	27%	24%	-3
Measure the financial efficiency of HR operations (e.g., cost-per-hire, time-to-fill, training costs)	20%	20%	0
Hold HR accountable for providing innovative solutions and programs	19%	18%	-1
Get senior executives more involved in implementing HR strategies	19%	24%	5
Develop broader business acumen among HR staff	17%	20%	3
Engage top executives in developing HR strategy	17%	17%	0
Engage in assessing the effectiveness of the overall HR function as seen by HR and its stakeholders	16%	14%	-2
Measure the specific effects of HR programs (e.g., learning from training, motivation from rewards, validity of tests)	15%	17%	2
Move strategic HR functions to business units (e.g., moving toward a business-partner model)	15%	14%	-1
Link HR functions to organization's assets (e.g., using metrics to demonstrate HR's return on investment)	10%	22%	12
Change the evaluation of HR business partners (e.g., use talent metrics such as quality of hire, leadership progression, retention)	9%	13%	4
Develop a global perspective that values and considers the perspectives and backgrounds of stakeholders around the world	4%	8%	4

Note: Currently n = 318; Next 10 Years n = 321. Percentages do not equal 100% due to multiple response options. Respondents could select up to three options.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

- Human Resource Expertise.
- Relationship Management.
- Consultation.
- Leadership and Navigation.
- Communication.
- Global and Cultural Effectiveness.
- Ethical Practice.
- Critical Evaluation.
- Business Acumen.

HR Competencies

When asked which three HR competencies they believed were the most critical for the HR professional in today’s work environment, more than one-half (51%) of HR professionals identified Human Resource Expertise as vitally important, making it the top HR competency identified (see Table 3). The ability to apply the principles and practices of human resource management is—not surprisingly—considered central to performing the role well. Following at a distant second were Relationship Management, and Leadership and Navigation, or the ability to direct and contribute to initiatives and process-

es within the organization, both identified by 36% of HR professionals as critical competencies for HR professionals in today’s business environment. These were followed by Communication (35%), Business Acumen (34%), Ethical Practice (29%), Critical Evaluation (24%) and Consultation (20%). A small percentage (5%) identified Global and Cultural Effectiveness, i.e., the ability to value and consider the perspectives and backgrounds of all parties, as a critical competency. Although a few competencies were most likely to be chosen as critical, HR professionals considered all of the competencies to be important to doing their job well. They must therefore continuously work to improve their full range of HR competencies in order to remain competitive.

Looking ahead to the next 10 years, some key differences emerged in the most critical HR competencies identified by HR professionals. Human Resource Expertise, today’s top HR competency, dropped 17 percentage points to 34% as a key competency for the next decade. This was the largest drop in importance among any of the competencies. Perhaps the frame of reference for the HR professionals responding to the survey was their own level of HR Expertise. In this case, they may have felt that in the next decade they would have a solid foundation of

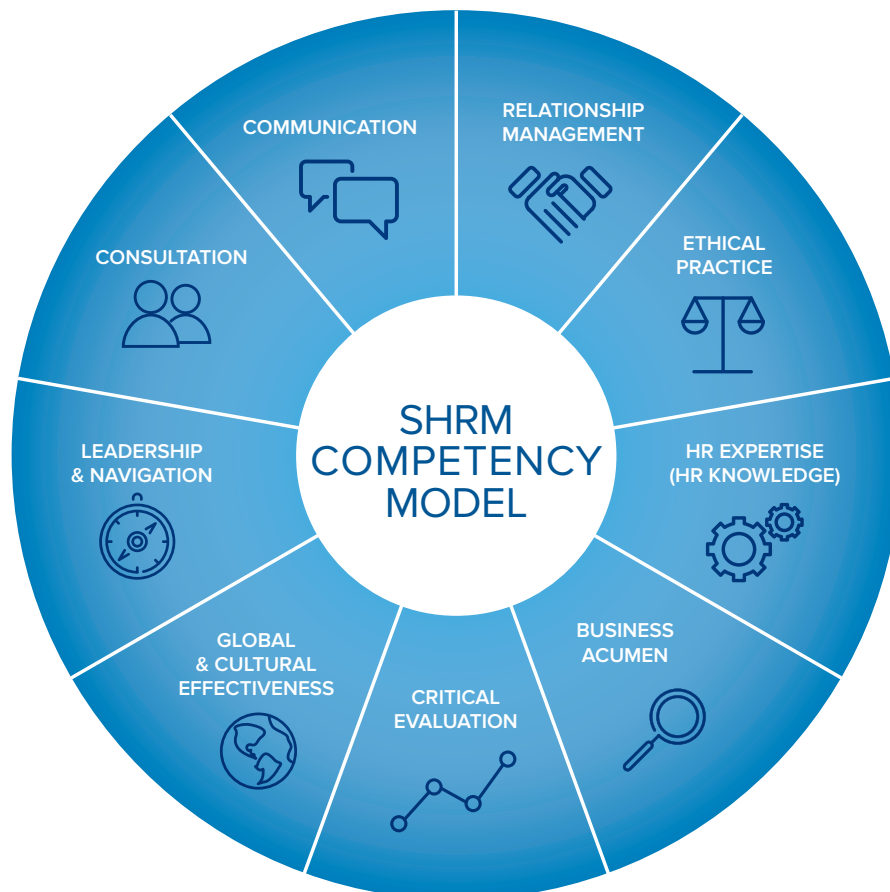


TABLE 3

Which of the Following Competencies Do You See as Most Critical for the HR Professional?
HR Professionals' View

	Currently	10 Years from Now	Difference in Percentage Points
Human Resource Expertise: The ability to apply the principles and practices of human resource management to contribute to the success of the business.	51%	34%	-17
Relationship Management: The ability to manage interactions to provide service and to support the organization.	36%	30%	-6
Leadership and Navigation: The ability to direct and contribute to initiatives and processes within the organization.	36%	42%	6
Communication: The ability to effectively exchange with stakeholders.	35%	23%	-12
Business Acumen: The ability to understand and apply information to contribute to the organization's strategic plan.	34%	45%	11
Ethical Practice: The ability to support and uphold the values of the organization while mitigating risk.	29%	22%	-7
Critical Evaluation: The ability to interpret information to make business decisions and recommendations.	24%	36%	12
Consultation: The ability to provide guidance to organizational stakeholders.	20%	21%	1
Global and Cultural Effectiveness: The ability to value and consider the perspectives and backgrounds of all parties.	5%	13%	8
Not sure	2%	2%	

Note: Currently n = 327; 10 Years from Now n = 301. Percentages do not equal 100% due to multiple response options. Respondents could select up to three options.

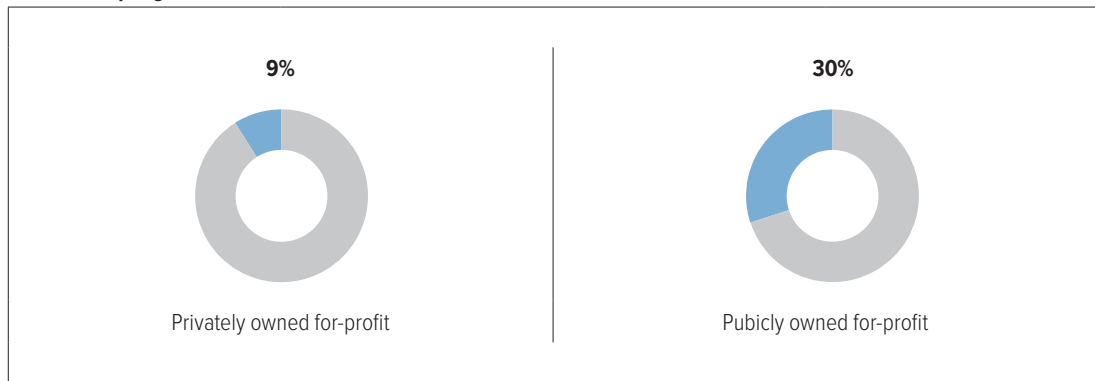
Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

HR Expertise and would therefore need to focus on other competencies instead. Communication also appeared to be less critical when HR professionals looked to the next decade, with 23% identifying it as a key future HR competency compared with the 35% who considered it to be a key competency in the present (a drop of 12 percentage points). Other competencies that decreased in importance when looking to the future included Ethical Practice (a 7 percentage point drop) and Relationship Management (a 6 percentage point drop). Meanwhile, the competencies that saw the greatest increase in importance when looking to the future were Business Acumen and Critical Evaluation, rising by 11 and 12 percentage points respectively. These were followed by Global and Cultural Effectiveness, which rose by 8 percentage

points, and Leadership and Navigation, which increased by 6 percentage points (see Table 3).

Overall, the findings highlight the importance of behavioral competencies, especially as HR professionals look to the future. HR professionals may feel they have to think in terms of business and operations first and only then apply their HR lens and HR expertise to their work. HR professionals appear to see the need to maintain their HR technical expertise, but acknowledge a kind of reordering of the competencies that may be needed to successfully drive business results in the future. This suggests that HR professionals themselves are seeing and proactively engaging in the evolution of HR.

There was a large difference between some sectors in the perception of the importance of Global and Cultural

FIGURE 9**Importance of Global and Cultural Effectiveness 10 Years from Now:
Statistically Significant Sector Differences**

Note: Only statistically significant differences are shown.

Source: *Business and Human Capital Challenges Today and in the Future* (SHRM, 2015)

Effectiveness as a key competency for the future. Whereas 30% of publicly owned for-profit companies identified this ability to value and consider the perspectives and backgrounds of all parties as a key competency for the future, only 9% of privately owned for-profit organizations agreed (see Figure 9 and Table 30 in the appendix). This suggests that this competency's criticality is potentially highly dependent upon where an organization is headquartered and where it does business. Although the need to understand different backgrounds and cultures to be successful is also certainly considered important, geography and global business interactions appear to be the main force behind the importance placed on this competency.

The components of Business Acumen were looked at in more detail to ascertain which subcompetencies were most critical both today and in the future. Several of the top current components of Business Acumen lost ground when considering their importance in the future. This included Knowledge of Government and Regulatory Guidelines, which 40% of HR professionals identified as a key subcompetency in today's business environment, but 33% identified as a key sub-competency 10 years from now. Knowledge of Business Operations/Logistics also decreased from 35% of respondents who identified it as a current critical component of Business Acumen to 27% (8 percentage point decline) who saw it as a key one 10 years from now. The largest drop was in Effective Administration, which fell 15 percentage points from 29% to 14%. Business Knowledge dropped only slightly (4 percentage points), whereas HR and Organizational Metrics/Analytics/Business Indicators remained virtually unchanged at 29%. Meanwhile, there were a handful of Business Acumen subcomponents that HR professionals saw as growing in importance. This included Strategic Agility, which rose from 25% to 31%, and Knowledge of Technolo-

gy, which rose from 16% to 28%, as shown in Table 4. The increase in importance of Knowledge of Technology may account, to some extent, for the decrease in importance of Effective Administration. Also, as HR processes become more automated, this may free up more resources to focus on Strategic Agility.

There were a few statistically significant differences by sector. Perhaps not surprisingly, Knowledge of Government and Regulatory Guidelines was seen as much more critical in today's business environment among HR professionals in the government sector (70% identified it as critical) compared with 35% in the publicly owned for-profit sector and 39% in the privately owned for-profit sector. Business Knowledge was seen as key among 48% in the publicly owned for-profit sector compared with 15% in the government sector. Effective Administration was identified as critical among 11% in the publicly owned for-profit sector compared with 33% in the privately owned for-profit sector. Strategic Agility was seen as critical among 13% of HR professionals in the nonprofit sector compared with 39% in the publicly owned for-profit sector. Systems Thinking appeared to be quite important to those in the government sector, with 33% identifying it as critical. This contrasted sharply with only 9% in publicly owned for-profit companies and 8% in privately owned for-profit companies (see Table 31 in the appendix). Looking toward the next decade, there were fewer statistically significant differences between sectors. Forty-five percent of those in the publicly owned for-profit sector identified Business Knowledge as critical in the next 10 years, as well as 39% in the privately owned for-profit sector, compared with only 7% in the government sector. In contrast, Systems Thinking remained critical for those in the government sector as they looked to the future, with 33% saying they thought this would be a key subcompetency of Business Acumen in the next 10 years. This compared with only

TABLE 4

When Considering Business Acumen for HR Professionals, Which of the Following Components (i.e., subcompetencies) Will Be Most Critical? HR Professionals' View

	Currently	10 Years from Now	Difference in Percentage Points
Knowledge of government and regulatory guidelines	40%	33%	-7
Business knowledge	38%	34%	-4
Knowledge of business operations/logistics	35%	27%	-8
Effective administration	29%	14%	-15
HR and organizational metrics/analytics/business indicators	29%	29%	0
Strategic agility	25%	31%	6
Knowledge of labor markets	20%	19%	-1
Knowledge of technology	16%	28%	12
Knowledge of finance and accounting	15%	18%	3
Systems thinking	12%	15%	3
Economic awareness	11%	16%	5
Knowledge of sales and marketing	6%	9%	3
Not sure	1%	2%	

Note: Currently n = 326; 10 Years from Now n = 304. Percentages do not equal 100% due to multiple response options. Respondents could select up to three options.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 5

The Importance of Bodies of Knowledge for HR Professionals: HR Professionals' View

	Currently	10 Years from Now	Difference
	Mean	Mean	Mean
Employee and labor relations	8.6	8.6	0.0
Compensation and benefits	8.5	8.7	0.2
Talent management	8.3	8.8	0.5
Workforce planning and employment	8.3	8.7	0.4
Strategic business management	8.1	8.7	0.6
Human resource development	8.0	8.5	0.5
Change management	8.0	8.5	0.5
HR technology	7.8	8.7	0.9
Risk management	7.7	8.3	0.6
Global and international human resources	5.1	6.8	1.7

Note: n = 439. Respondents rated each item on a scale of 0 (not important) to 10 (very important).

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

10% in the privately owned for-profit sector (see Table 32 in the appendix).

HR Bodies of Knowledge

When asked to identify the most important bodies of knowledge for HR professionals both today and in the future, respondents rated each item on a scale of 0 (not important) to 10 (very important). The most important current category identified was Employee and Labor Relations at a mean of 8.6. This was followed by Compensation and Benefits, Talent Management, Workforce Planning and Employment, which were all between 8.3 and 8.5. The next three categories, Strategic Business Management, Human Resource Development and Change Management, all had a mean of at least 8.0, and HR Technology and Risk Management was over 7.5. Global and International Human Resources appeared fairly low on the list, at just over 5.0. When looking to the future, the emphasis shifted to Talent Management, which rose to the top of the list, followed by Strategic Business Management and HR Technology and Compensation and Benefits, which were all over 8.7. Employee and Labor Relations also remained important, as did Workforce Planning and Employment, as shown in Table 5.

Main differences between sectors were between publicly and privately owned for-profit organizations in their ranking of Human Resource Development in the present (7.3 vs. 8.2 respectively, as shown in Table 33 in the appendix), and between publicly owned for-profits' value of Global and International Human Resources compared

with nonprofits in the next decade (7.7 vs. 5.5, as shown in Table 34 in the appendix). There were also a few differences by organizational size. HR professionals in organizations with 500 to 2,499 employees and 2,500 to 24,999 employees both ranked Employee and Labor Relations of greater importance than their counterparts in the largest organizations of 25,000 or more employees. At the same time, HR professionals from both very small employers (1 to 99 employees) and larger employers (2,500 to 24,999 employees) rated Talent Management as more important than those in organizations with 100 to 499 employees (see Table 35 in the appendix).

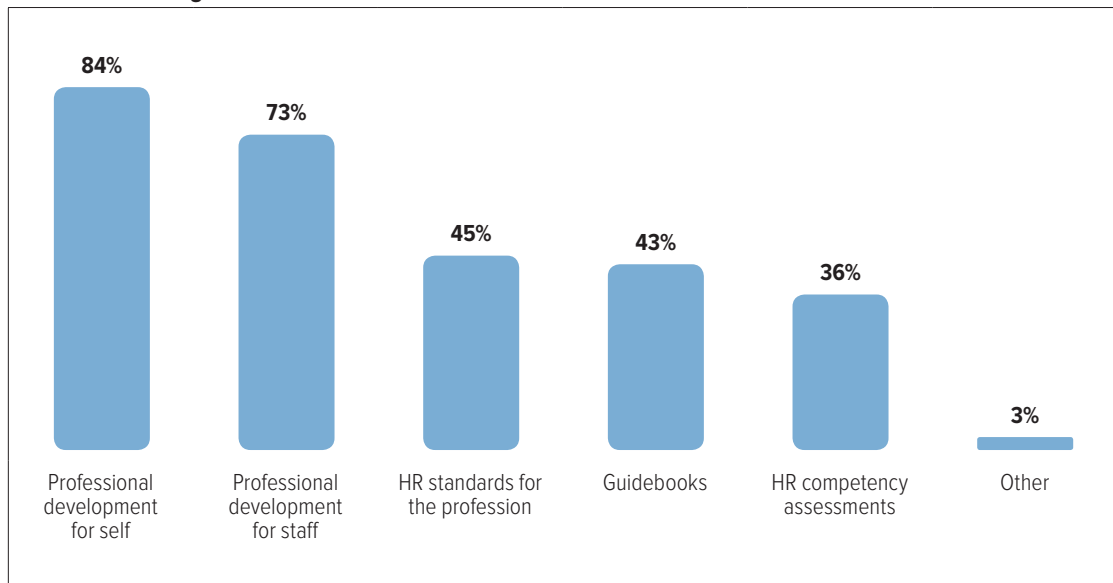
HR Tools and Resources

When asked about the tools and resources needed most to assist them and their organizations in finding solutions to their most pressing HR challenges, most HR professionals were focused on the need for professional development. A large majority—84%—said they needed professional development for themselves and 73% said they needed it for their staff. This was followed by almost one-half (45%) who said HR standards for the profession were needed. Forty-three percent wanted guidebooks to assist them in providing solutions to their HR challenges, whereas 36% said they needed HR competency assessments (see Figure 10).

The findings on current and future human capital challenges, HR function challenges and the changes organizations are making in order to make HR more strategic all reinforce the importance of professional development

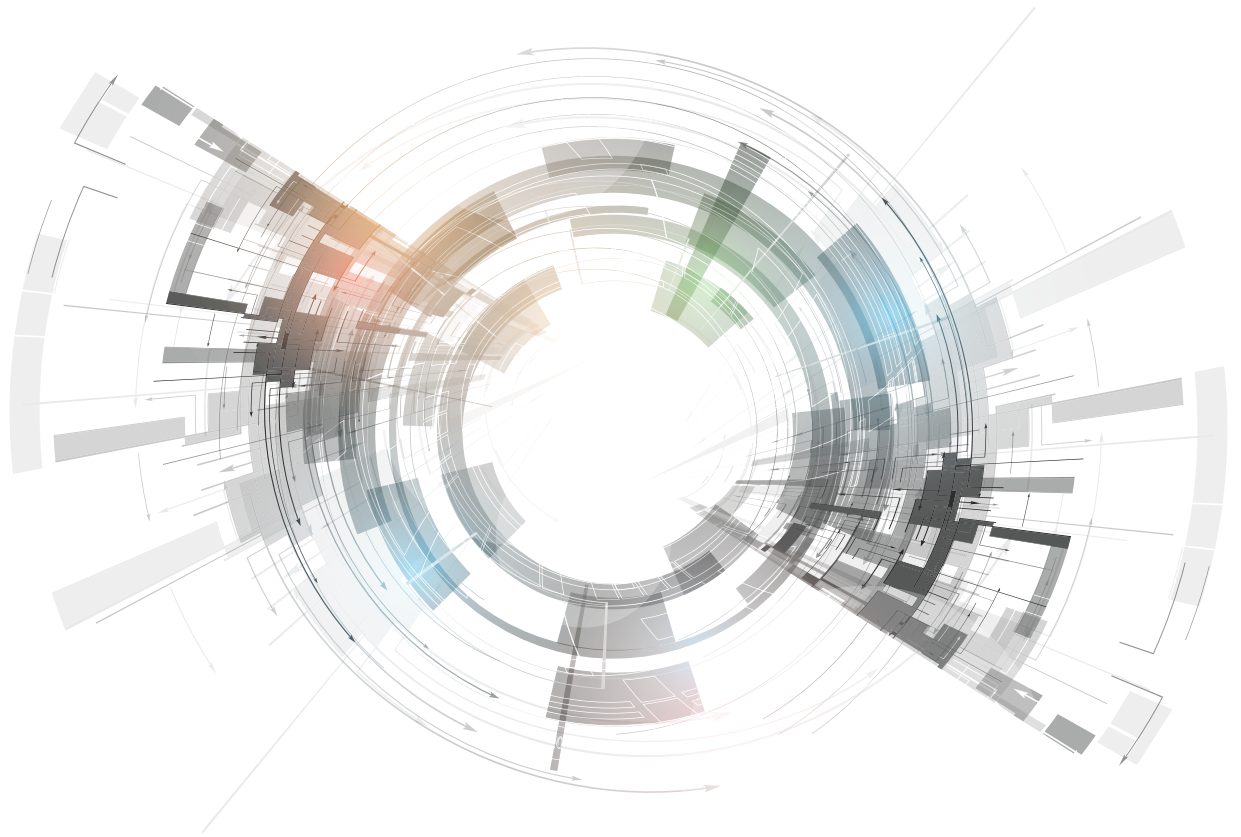
FIGURE 10

What Tools and Resources Are Needed to Assist You and Your Organization in Providing Solutions to Your HR Challenges? HR Professionals' View



Note: n = 321. Percentages do not equal 100% due to multiple response options.
Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

for HR professionals. Only through investing in their own knowledge and skills can individual practitioners be ready to take on these myriad challenges. HR leaders are also aware of the importance of investing in the development of their own staff. Learning opportunities can take many forms, including conferences, seminars, formal further education courses and, in some cases, advanced degrees. But it can also be tools like self-assessment and a self-designed course of reading and study. Often, the most important way to expand learning is through the work itself. Adding job rotation and stretch assignments are therefore an important way that HR professionals develop professionally.



Perspectives: Business and HR Strategy

HR Competencies: The Foundation Upon Which to Build Today's and Tomorrow's HR Business Leader

Kari Strobel, Ph.D., Senior Consultant, AvantGarde



Kari R. Strobel, Ph.D., is a senior consultant for AvantGarde and is responsible for providing strategic human capital consulting and project management to federal agencies. In her previous role as the director of HR competencies at the Society for Human Resource Management (SHRM), she was responsible for leading all research activities to support the validation, implementation and maintenance of SHRM's Competency Model. She oversaw the development of competency-based products and services, including developmental assessments, selection tools, career paths, mapping to training programs and seminars, and the research to support the update of the competency model, which provides the foundation for professional development and certification for global HR professionals. She was also responsible for advancing SHRM's workforce analytics program, supporting the identification of critical HR trends, and enhancing SHRM's position as an authority on HR metrics and the application of statistical models to worker-related data to optimize human resource management. Prior to joining SHRM, Dr. Strobel worked at the Office of the Secretary of Defense, where she was responsible for leading competency-based strategic human capital planning for the

Department of Defense Total Force.

“No one saves us but ourselves. No one can and no one may. We ourselves must walk the path.”

—Gautama Buddha

Although HR critics abound, leaders in the field will be the first to acknowledge that their teams do not deliver innovative human capital programs that drive business results,⁶¹ and that a new mental model of what it means to be an HR professional must be developed to not only be relevant in today's business environment but to lead an organization to success. As purveyors of an organization's most valuable asset—its talent—HR is uniquely poised, through its application of a broad range of technical skills and its understanding of the business, to be an impactful leader and a formidable business strategist no company can do without.

The need to “reskill” HR has been discussed for years with little mention as to what this looks like, how it is accomplished and what can be expected with respect to delivered outcomes. To address this lack of actionable information, through research with thousands of HR professionals (111 focus groups and more than 32,000 survey respondents covering 33 nations), including experts and incumbents alike, SHRM identified those critical competencies for HR to lead people and organizations—on a global scale.

The “Re-skilled” HR Professional

To be successful in HR and as a business leader, SHRM's research calls for the need for practitioners to be more than technically proficient; they need to translate what they know through key behavioral competencies. The combination of technical expertise and behaviors provides the right formula for success for HR leaders. In today's challenging business environment, the HR professionals should align with and meet the needs of the business strategy. HR professionals are expected to be valued team members with the rest of the organization and contribute as business partners for the growth of the organization. The HR business leader now serves the purpose of providing HR expertise and behavioral attributes to organizational resources to contribute more strategically to business goals. HR professionals are equipped with the KSAOs (knowledge, skills, abilities and other characteristics), or competencies, to partner with senior leadership not only to be involved in the strategic management of the organization but to drive the implementation of it.

SHRM research suggests that through the application of HR knowledge and an understanding of the business, HR professionals are effective at building strong partnerships with senior leaders as they provide expert advice on all matters relating to the ongoing development of the organization. They have the ability to understand and apply information to contribute to the organization's strategic plan, interpret information to make business decisions and recommendations, and provide guidance to organizational stakeholders. In other words, today's successful HR business leaders are highly proficient in nine critical competencies found in the SHRM Competency Model: Leadership and Navigation, Ethical Practice, Business Acumen, Relationship Management, Consultation, Critical Evaluation, Global and

Cultural Effectiveness, Communication, and HR Expertise. For more information, please see shrm.org/hrcompetencies.

A Closer Look at the Critical Competencies Needed for Successful HR Business Leaders

Leadership and Navigation

Effective leaders are associated with numerous positive outcomes⁶²—for example, positive employee work attitudes such as job satisfaction and organizational commitment,⁶³ decreased turnover, and increased employee job performance.⁶⁴ Leadership and Navigation recognizes this important role for HR professionals by describing the attributes needed by HR professionals to lead organizational initiatives and obtain buy-in from stakeholders.

Ethical Practice

HR professionals are often tasked with creating ethical HR systems or reinforcing an organization's ethical climate. These efforts serve several purposes, but most notably implementing a strong ethical climate can help protect an organization from adverse employee behavior. And implementing ethical systems is essential to organizations because ethical HR systems are associated with higher levels of organizational performance.⁶⁵ Ethical Practice is and will continue to be a critical competency domain for the HR profession.

Business Acumen

HR business leaders need to be well developed in terms of their Business Acumen. This includes understanding business operations and functions, understanding how human resource management (HRM) practices contribute to core business functions, and understanding the organization's external environment. They should also recognize how internal and external factors (for example, the external competitive environment and internal personnel resources) interact to influence organizational performance. Effective HR business leaders need to be able to make the case for HRM to other business professionals—this includes marketing HR within the organization and showing how HR can have a direct impact on firm performance.

Relationship Management

HR professionals regularly interact with clients and stakeholders; therefore, job success for an HR business leader is largely a function of his or her ability to maintain productive interpersonal relationships and help others do the same, or to display competence in Relationship Management. Research has documented positive outcomes associated with productive and healthy interpersonal relationships in the work environment.⁶⁶ Positive formal relationships (e.g., an employee's relationship with his or her supervisor) are associated with beneficial outcomes for employees, such as improved feelings of belonging and inclusion in the workplace,⁶⁷ increased salary, increased promotions, greater career mobility and other rewards.⁶⁸ Positive informal relationships at work are associated with greater job satisfaction, involvement, performance, team cohesion, organizational commitment, positive work atmosphere and lessened intentions to leave.⁶⁹ Employees who have better interpersonal relationships with their co-workers and supervisors may perceive the organization as more supportive;⁷⁰ they may also be more committed to their organization and may experience increased perceptions of fit with their organization.⁷¹

Consultation

Within their own organization, HR professionals often take on the role of an internal consultant or expert on human capital issues. In this role, within the Consultation competency, HR professionals can help business units address challenges related to human capital, such as staffing needs, training and development needs, employee performance issues, and employee relations issues.⁷² To be a successful human capital expert, HR professionals must not only possess requisite knowledge about HRM practices but must also be able to provide guidance to internal stakeholders. The most effective HR professionals possess a unique set of attributes that enable them to translate complicated information about HRM practices (i.e., HR Expertise) into actionable recommendations for end users (e.g., hiring managers). HR professionals must be able to analyze business challenges, generate creative solutions and provide accurate and timely guidance to internal stakeholders based on best practice and research that accounts for the unique internal and external environment of the organization.

Critical Evaluation

HR can enhance the effectiveness and usefulness of human capital programs by informing their development and monitoring their success with appropriate data through Critical Evaluation. One such source of data is human capital metrics. Not only do human capital metrics add value to the role of HR in organizations,⁷³ but HR functions that collect and properly use HR metrics to inform HR activity are seen as more reliable strategic partners.⁷⁴ The rise of data-based HRM practices is clearly evident—one such example of this trend is “big data” and its increasingly frequent use by HR departments. HR professionals are currently being asked to inform their decisions with data, and this trend is likely to continue and increase in the coming years.

Global and Cultural Effectiveness

Because many organizations are proactively attempting to increase the diversity of their workforce, and because the workforce of today is increasingly global, successful HR leaders must be able to effectively and respectfully interact with colleagues, customers and clients of varying backgrounds and cultures. HR professionals are often tasked with developing, delivering and evaluating these diversity-related initiatives. Additionally, various laws and regulations require organizations to use inclusive hiring practices. Again, HR professionals are often primarily responsible for complying with these laws and regulations because of their pivotal role in employee hiring. Given the role of HR professionals in promoting and maintaining a diverse workforce, it is easy to see the need for and importance of the Global and Cultural Effectiveness competency.

Communication

When HR information is communicated well, employees better understand the purpose and value of policies and practices. When managers effectively communicate HR practices and policies to their employees, employees perceive the organization’s HRM to be more effective, and, in turn, employee satisfaction and business unit performance are positively affected.⁷⁵ To effectively fulfill duties at each career level, HR professionals must ensure that the messages they distribute are clear, concise and readily understood through their expertise in Communication.

HR Expertise

HR professionals directly affect organizational success by developing, maintaining and executing sound HRM policies, practices and procedures⁷⁶ that support organizational mission and goals. Effective HRM practices can have numerous benefits for organizations, such as reduced turnover, increased productivity and financial performance, and sustained competitive advantage.⁷⁷ To implement successful initiatives, HR professionals must have a well-developed knowledge base. This knowledge is reflected in the HR Expertise competency.

Evolution of HR

Developing each of the nine SHRM competencies is required of HR professionals to help their organizations be competitive. Learning more about their company’s financial results, understanding the numbers and, more importantly, knowing how their decisions and actions affect the bottom line will help contribute to HR professionals’ business success. Competent and proficient HR professionals understand how their behavior affects value-creating activities in the organization and, in turn, understand the impact their behavior has on gross margin. These individuals are seen as fellow business leaders and not just “HR.”

Certify This! The Role of Competency-Based Certification in HR

Alex Alonso, Ph.D., SHRM-SCP, VP, Research, SHRM



Alexander Alonso, Ph.D., SHRM-SCP, is the Society for Human Resource Management's vice president for Research and currently serves as the head of examination development and operations for SHRM's Certified Professional and Senior Certified Professional certifications. He is responsible for all research activities, including the development of the SHRM HR Competency Model. He oversees the teams responsible for research products such as PeopleInsight engagement tools, SHRM Benchmarking Services, and the Workplace and Employment Trends Center.

In recent years, we have heard varying perspectives on certification across a number of professions.⁷⁸ In the world of education, certification is the gold seal of approval that you can handle classroom instructions and difficult situations any child can pose. In the realm of accounting, certification is different, serving as a barrier for entry into the profession and guaranteeing a minimum level of competency. In the domain of association management, certification is a signal to the world that a certificant holds the requisite knowledge and skill set to successfully lead a society or federation. All of these certifications operate under one guiding principle—a professional must not only know but also do the job according to an acceptable standard. In the land of human resources, certification has focused too heavily on what professionals know and not enough on what they can do.

The lack of focus on what someone can do as an HR professional has led to three phenomena: 1) a desire to split HR into strategic and tactical components,⁷⁹ 2) a cadre of executive HR leaders who see little to no value in certification,⁸⁰ and 3) a decline in the sheer number of individuals seeking HR certification because of lacking job relevance. This has led to an overwhelming majority of business stakeholders feeling HR capabilities do not match their needs for workforce planning and management.

The gap between expectations and capabilities represents the greatest challenge for HR as operators of business strategy. What's worse is the fact that development of HR professionals is distinct from that of other business operators. HR is traditionally seen as a distant cousin to business when, in fact, it is the engine for competitive advantage. There is no greater evidence of this distant cousin status than the way HR professionals are developed relative to other managers and directors. For HR, development begins with technical knowledge refined over the years with little emphasis on leadership competencies. For other business disciplines, leadership competencies are embedded in development from inception. The first class in HR is employment law and compliance. The first class for other business disciplines is strategy. The evidence of a gap is clear from the moment one enters the development process and is only reinforced through traditional development tools like training and certification.

So we have a problem. The primary cause of this problem is misalignment between development of HR professionals and the strategic needs of stakeholders. This is exhibited in every stage of HR development, where a competency-based approach is eschewed for pure knowledge-based learning and testing. What is the solution? Shifting the focus to develop HR professionals from cradle to grave using a competency-based system.

On HBO's "Silicon Valley," the Pied Piper CEO would posit a "middle-out" approach, but I argue the solution is the reverse—a basic burning-the-candle-from-both-ends approach. That is, development of HR professionals should focus on competency-based learning from the start with education and at the other end with competency-based certification. Specifically, there are three key implications to this approach:

HR professionals warrant the same educational models as business leaders. HR can no longer be treated as a distant cousin to business. The key to changing this perspective is changing the model for selection and development of HR professionals as they evolve into leadership roles. Selection instruments for HR professionals should measure proficiency in both technical knowledge and behavioral competencies. Similarly, learning and development channels should offer training in both technical aspects and behavioral elements of successful human resource management. This approach is assured

to have a cascading effect on organizational effectiveness. If HR professionals are selected and developed with this dual emphasis, their performance is likely to be higher; however, their experience will likely lead to revamped ways of selecting and developing others. This multiplicative effect will lead to a wider array of exponential prediction for organizational competency mix. This results in reduced costs associated with faulty selection⁸¹ and poor transfer of training.⁸²

Certification for HR professionals must assess more than technical knowledge. Since the 1970s we have seen a rapid rise of competency-based certification as an innovation necessary for all professions. Over the last 40 years, we have witnessed advancements in testing and educational measurement, allowing for the measurement of proficiency more than mastery of information. Some of the best examples of this are the use of portfolios to assess teacher excellence by the National Board for Professional Teaching Standards, the implementation of practicum in-basket exercises in the Foreign Services Board exams, the development of practicum deliverables for assessing detail orientation and business acumen of accountants in American Institutes of Certified Public Accountants exams, and the deployment of situational judgment test items by the Association of American Medical Colleges to assess bedside manner and customer service orientation in medical residency candidates. In HR certification, the traditional model has resorted to assessing technical knowledge and its application at the lowest levels of Bloom's taxonomy for demonstrating mastery.⁸³ This model will not suffice if we are to assess HR professionals' proficiency in the modern business world. New certifications like the SHRM Certified Professional (SHRM-CP) and SHRM Senior Certified Professional (SHRM-SCP) address the need for a dual emphasis on technical knowledge and behavioral proficiency. With this increased scope, HR certifications for leaders will need to keep up with the broadened competency mix and performance domain.

There needs to be a greater understanding of the link between competencies and organizational success. Organizational effectiveness is the ultimate goal when evaluating certifications and what they offer professionals and their employers. Most employers think of certifications as an assurance that professionals possess basic competencies needed to drive organizational success. This means certifications must have a demonstrated link to job performance. But current models of HR certification only account for one part of the equation, making them deficient in predicting the criterion. Take the Individual Competency Formula to Organizational Effectiveness:⁸⁴

$$E^o = \frac{\sum (T^1 + B^8)}{C * R}$$

The basic formula for organizational effectiveness based upon individual talents stipulates that organizational effectiveness (EO) is a function of total collective technical (T) knowledge and behavioral (B) competency in application divided by the product of culture (C) and resources (R). In human resource management terms, this is the formula for implementing success. The greater the talent pool of competencies, the more controlled the impact of culture and resources, the greater the likelihood of exponential organizational effectiveness. If organizations seek success through effectiveness, the talent mix is the primary lever. This means effectiveness, as defined by the collection of competencies, is the leading indicator of competitive advantage, with HR's competencies as the frontline. All this places greater demand on building proficiency among HR professionals and certifying their ability to perform.

For years, HR professionals have been told that we are not part of the business family. This assertion is all wrong, and a close examination of competencies across various business disciplines, including HR, illustrates their connective tissue. The DNA of HR professionals is only distinct from other disciplines in its technical genome and the relative importance of key behavioral elements. The evidence base suggests HR professionals are not developed and certified the same way other professionals are. The time for change is now as advancements in measurement, testing and performance appraisal make selecting, training and certifying HR professionals on more than technical knowledge a reality. Only selection instruments, performance management tools, training programs and certifications using a dual-emphasis competency-based approach will succeed in elevating the HR profession. Organizational success is depending on it.

Beyond Data Analytics to Dialogue, Action and Results

Theresa M. Welbourne, Ph.D., Professor, President and CEO, eePulse Inc.



Dr. Theresa M. Welbourne is the FirstTier Banks Distinguished Professor of Business at the University of Nebraska, Lincoln, as well as an affiliated research scientist with the Center for Effective Organizations, University of Southern California. She also is the founder, president and CEO of eePulse, Inc., a human capital technology and consulting firm. Dr. Welbourne's expertise is in the areas of human capital and strategic leadership in high-growth, entrepreneurial and high-change organizations.

The human resource management (HRM) field is buzzing with talk about big data as well as the topic of analytics, which goes beyond acquiring data to doing something meaningful with information. It might follow that the bigger the data, the more significant the actions become and the higher the impact on business results. However, that has not proven to be the case. Data alone, even when supplemented with high-quality analytics work, do not guarantee anyone will take action on the insights, and without action, there is no measurable business result.

For the field of HRM to make a positive impact on the business with the use of data, the cycle from data to results must be well understood, and new tools to make the leap from acquiring data to delivering results must be developed and utilized. Thus, here I will focus on a process that has produced high-quality results with numerous organizations. The model that is the basis for this work focuses on four steps: (1) data—acquiring data and using analytics to find insights that are relevant to the business, (2) dialogue—discovering stories in the data and telling the story, (3) action—using data and dialogue together, through story, to drive action, and lastly (4) results—finding measurable business results, connecting the dots between data and results, and then sharing success blueprints so that the learning can be replicated.

Data and Data Analytics

A quick review of several dictionary definitions shows discrepancy in the way the term analytics is defined. The simple definitions focus on analysis of data; for example, the Oxford dictionary defines it as “the systematic computational analysis of data,” whereas Merriam Webster lists the meaning as “the method of logical analysis.” On the other hand, the popular Wikipedia presents a definition that goes beyond data analysis and includes the work of communicating results, posting the definition of analytics as “the discovery and communication of meaningful patterns in data.” It is not surprising that Wikipedia, which is a free online encyclopedia that uses input from multiple people who are the users of analytics, sports a more comprehensive definition. This may be because those who work with data know that analyzing data alone is not enough. Data alone are not important; the movement from data to dialogue is what's necessary to drive action and results. Without dialogue, data are a mystery that many people seek to avoid.

Why dialogue and the need for story? There is an extensive amount of research today in the area of neuroscience. This work provides ample evidence for the criticality of dialogue and storytelling as part of effective data analytics. Finding results in data—whether big, medium or small data, qualitative or quantitative data, and even if impressive and sophisticated data analysis yields compelling result—does not necessarily drive action. In fact, sometimes the more complex the statistics, the less likely anyone will pay attention, and what we know from the neuroscience work is that to drive action, the person listening to the analytics story must respond with emotion because that is what one needs to remember. Without sparking an emotional connection through meaningful dialogue, data fall into the background of the listener. David Rock, in his book titled *Your Brain at Work* makes this clear in his analogy about presenting too much data. He notes that from a listener perspective, seeing too many numbers is like watching thousands of actors jumping on and off the stage; you don't know where to focus your attention, so instead there is no interest, no emotional connection, no memory and, lastly, no action. Data and analytics can only lead to action and results when there is meaningful dialogue, and that should be in the form of a story.

General Motors Story Goes Beyond Data and Analytics to Action

Sheri Marshall, who headed up the analytics function at General Motors, tells a wonderful story that brings the need for meaningful dialogue through story to life. At the time when this work occurred, GM had 190,000 employees globally, and it had produced its 5 millionth vehicle. Trying to understand a workforce of this magnitude is not easy, and Sheri's team was responsible for analyzing truly big data and delivering insights to help the organization move forward. Sheri had a team of experts in data analytics, and they were producing sophisticated analyses of the data; however, they were having trouble getting to the next step—action. Sheri shared some data with me, and when doing so she explained the evolution of her team's work:

“Initially we had a lot of demographic data and would share that with business leaders. They would ask us to slice and dice the data on a variety of different dimensions, so we did. We'd present it again, and they would find something that did not meet their expectations, so again, we checked numbers, ran more analyses and came back again to the leaders. Very little action resulted. The charts were interesting, but not actionable. We then decided to go a different route and did some more sophisticated analytics work. When we presented it, we got a similar reaction: ‘That is interesting, but what if ...’ and then we were back to changing the analysis. The exercise kept us busy, but we were not having the kind of impact we knew was needed.”

Story triggers emotion, which is required for memory, which is needed for action. According to Sheri, the ability to frame the analytics work in the form of a story made a significant, dramatic and positive impact on the recipients' ability to connect with the insights and move toward action. “We made one important change; we clearly stated our point of view, made it obvious with a title of the work and two pictures, each representing options for action based on the findings in the data. When we did this, our work was perceived differently. The leadership started talking about the issues. No one asked us to re-analyze the data. Our new presentation model sparked action, inspiring one of our executives to hold a two-day offsite event to talk about the issues we uncovered.”

Providing not only the data analysis but expert opinion about the key insights in the form of a story with a catchy title and pictures focused attention on themes people could relate to and remember. Sheri says she now hears people in the halls talking about the impact of this work, and as a result, demand for analytics has increased dramatically. This effect substantially increased the ability to affect measurable business results.

Results happen, whether we like them or not. Consider another analytics team that has spent millions of dollars acquiring, scaling and distributing new data. If these data do not lead to changes in a positive direction, there will be results, but not necessarily what the analytics team desires. In another organization, we saw the dissemination of the analytics department because the data it generated for senior executives was deemed not just useless but costly in time and money. With no visible positive return on the investment and no path toward seeing improvement, the senior executives decided to stop the HR data experiment and use the money for “more worthwhile endeavors.” The lesson learned here is that once you start going down the analytics path, failure is costly. Thus, it may be better to obtain less data and use it wisely instead of making promises of future success that may be hard to deliver. Today, managers and HR leaders are creating dashboards with beautiful visualizations of data, but when you talk to managers, many of them have no idea what to do with their data.

Organize Data into Categories to Create Realistic Expectations

Setting expectations is important because a lot of the data that are used in reports and dashboards fall under the category of “preventive maintenance.” There is often no story in this type of data, and trying to create meaningful dialogue or story will be a frustrating experience for everyone involved. Think of this body of data as representing an ongoing documentary—no emotion necessary. Another category of data, which may have more impact, can be information that focuses on your organization's strategic goals. These metrics are important to leaders, and insights can be meaningful for driving action and results. Lastly, data can be used to influence or to drive dialogue that an organization wants to hear.

Think about managing the conversation with data—using metrics and even survey data to focus attention on behaviors that are needed to drive high performance, growth and innovation.

Lessons from the Best Story Tellers

Great story tellers practice their art and also write down their stories and share them with others. This is a skill HR professionals must learn—the writing down and sharing of stories about how data lead to measurable business results. Success stories give your peers confidence to use data in similar ways. Unfortunately, many firms do not have the institutional memory or processes to share data stories. I've seen too many instances of HR professionals doing incredibly powerful work, and then the examples are lost when the one person who was responsible for the project leaves the organization.

Consider benchmarking not just your data but the path from data to results. What data are you using to drive what dialogue, and then how are both being used to take action that leads to results? If you benchmark the entire path, then when a result is needed in the future, you can go back and look at the type of data that was used successfully in prior bodies of work.

Data alone are not magic; there is no one metric that will save the day for any organization or leader. The key to data analytics success is to combine data with context, find stories that people want to hear and that can serve as an emotional trigger. Share those stories and then use the combination of data and dialogue to drive action and results. When HR starts to talk about results, return on investment and the path from data to results, then the analytics journey will be celebrated.

Developing the Next Generation of Leaders: Trends and Truths About the Future of Leadership Development

Ian Ziskin, President, EExec EXcel Group LLC



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The ancient Roman dramatist, philosopher and politician Seneca said, “Luck is when preparation meets opportunity.” His point was that although luck is terrific, it typically has very little to do with success, especially that which is sustained over time. Instead, success is more often associated with great preparation and the ability to take advantage of opportunities when they present themselves. Leadership development is all about living at the intersection of preparation and opportunity. It is our job to ensure leaders are well-prepared and to find or create the right opportunities that will further reinforce their development and readiness for even bigger or more challenging roles.

As leaders, we must develop other leaders to be ready and relevant for what organizations will confront over the next five to 10 years and beyond. This responsibility will be significantly shaped by the following 10 trends and truths about the future of leadership development.

1. The “Chief Organizational Capability Officer” Emerges

Although the chief organizational capability officer (COCO) may or may not become a real job title, the concept is indicative of the direction that many leadership roles will be heading. Increasingly, operating and HR leaders alike will be responsible for integrating and driving agility, business context and environment, change, culture, innovation, leadership, networked organizations and communities, talent, and/or transformation. The power of leadership will be derived from connecting the dots and turbo-charging the in-between points, not by mastering the hierarchy or formal organization. Leadership development will focus on these intersections as leaders become chief organizational capability officers.

2. Outside In Is More Important than Inside Out

External environmental context and understanding will likely trump deep mastery of internal organizational issues as the leadership currency of choice. It will simply not be enough to know the business and how to get things done in a particular company. Rather, breadth of perspective about what is happening around and outside organizational walls, the ability to see around corners, and the willingness to appreciate and learn from others will become highly valued. Leadership development must address the outside in perspective.

3. Hero Leadership Gives Way to Collective Leadership

Highly charismatic and visible individual leaders can symbolize an organization's brand and culture—in positive or negative ways. Over-reliance on singular iconic leaders can make leadership succession difficult at best and undermine the employment value proposition because employees have every right to expect to work for multiple leaders who embody the values and behaviors espoused by their companies. Therefore, companies must increasingly invest in leadership not only as an individual capability but as a collective organizational capability as well, whereby leaders are taught, developed and held accountable for the appropriate leadership attributes and behaviors. Leadership development will emphasize collective leadership mindset and skillset rather individual heroics.

4. Multi-Disciplinary and Cross-Functional Solutions Are the Norm

Most challenges that organizations will face in the future are large, complex, multi-disciplinary and cross-functional in nature. Leaders must therefore learn to orchestrate highly collaborative and broad-based approaches to driving solutions. They will be called upon to reach out well beyond the traditional boundaries of their own organizations and functional disciplines to deliver an integrated set of solutions and to engineer answers to complex organizational issues. CEOs and other senior leaders don't care where these integrated solutions come from or who leads them. Leadership development must focus on integrated, multi-disciplinary, cross-functional perspectives and solutions.

5. Collaboration Across Boundaries Has a Multiplier Effect

Most organizations tend to prefer developing leaders by focusing on internal, company-specific issues and challenges, because they believe their company culture and business issues are so unique and special. In reality, although all companies are unique, they also share many common issues, problems, solutions and leadership learning opportunities. Cross-company leadership development programs that help leaders better appreciate broader strategic context and business solutions will be essential. Development opportunities that allow companies to move leaders from one company to another for short-term assignments that would not otherwise be available in the leader's own company will become much more prevalent. Leadership development will feature experiences outside the arbitrary boundaries of specific companies, industries and roles that will have a multiplier effect on leadership capabilities.

6. Coaching Builds Muscle Memory

Leadership coaching has become an increasingly popular and well-accepted tool for developing leaders and has evolved from “fixing the broken leader” to investing in the development of highly regarded and successful leaders, by building on their strengths and closing development gaps. Helping leaders reach for broader and more complex leadership roles will often require preparation for unfamiliar and uncomfortable responsibilities. This process necessitates understanding and then practicing to handle scenarios and situations that leaders are likely to face on the job—much like an athlete or musician would practice to prepare for a game or performance. Preparing leaders to address key decisions and situations they might face, before they actually have to face them, helps them develop the “leadership muscle memory” they will need under real life conditions. Leadership development will include a growing reliance on coaching to prepare leaders for situations before they encounter them, rather than only learning from experiences and fixing mistakes after they occur.

7. Mass Customization Capitalizes on Diverse Needs and Interests

Leadership development used to be about putting in place large-scale organizationwide practices and programs that covered as many people as possible so as to maintain both the perception and reality of fairness and inclusiveness. Although fairness and inclusiveness are certainly important and legitimate goals, they are not necessarily achieved by treating all leaders the same. The most common leadership development trends will be higher transparency of feedback, increased segmentation of pivotal roles and people, and greater frequency of talent reviews and action plan follow-up. Ownership for successful leadership and talent development efforts must rest with line leaders and be supported by HR leaders. But, these roles will have to go well beyond making sure meetings happen and that forms are filled out and submitted on time. Leaders must actually know the talent and will be called upon to selectively differentiate leadership development experiences based on each leader's unique capabilities and role. Leadership development must allow for mass customization of solutions to capitalize on the diverse needs and interests of leaders.

8. Purpose Complements Performance

Historically, leaders have wanted to work for high-performing, winning organizations, and although that aspiration is still fashionable, it is no longer sufficient. It is becoming even more attractive to work for organizations that strike a healthy balance between performance and purpose. Increasingly, many people—especially Millennials—want to affiliate with institutions that value the importance of economic and social contributions. People want to be where the organization's values and purpose align with and reinforce their own. Leadership development is therefore quickly evolving to include more of a “whole person” construct that promotes the importance of becoming a healthy, balanced, well-rounded, purpose-driven leader. Leadership development will become as much about creating and fulfilling purpose as it has been about planning for and driving performance.

9. Bite-Sized/On-Demand Solutions Reflect Changing Workforce Expectations

The workforce is becoming more mobile, virtual and globally distributed. Work will increasingly be done when, where and how the workforce prefers. The traditional employment model is steadily giving way to more bite-sized, freelanced, project-based and shorter-term gigs. Leadership development practices must reflect this revolution. Developmental assignments and leadership development programs need to accommodate for more agile, quick-turnaround, quick-hit, on-demand and technology-enabled design and delivery models. Six week in-residence programs at prestigious universities are not going away completely or anytime soon, but they are also not the prevalent model for the future. Leadership development must be more virtual and in the moment, and delivered in smaller, more digestible bites to better reflect changing workforce expectations and technological realities.

10. Ready Now Gives Way to Ready Able

Leadership development experts used to say, “Past track record predicts future success.” In the future, we will likely say, “Past track record is only a valid predictor of future success if the past looks anything like the future.” The connection between past and future conditions is tenuous at best. At worst, we could make determinations about leadership development, readiness and succession based on all the wrong factors and criteria because the future may look nothing like the past. The conditions, challenges and pace of change may be completely different. So, all our emphasis on developing ready now leaders must give way to developing ready able leaders. We no longer really know if leaders are ready now. At best, we can prepare them to be ready able—to have the situational awareness, flexibility, savvy and leadership capabilities required to quickly understand and adapt to changing conditions. Leadership development in the future will be about identifying and developing potential, which, in turn, translates into being ready and able to handle whatever the future throws at us.

Aligning HR Tech to Strategy

Sue Meisinger, Former President/CEO, SHRM



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I recently attended a meeting of senior HR executives that was hosted by a large company headquartered outside of Boston. During the meeting, the company's chief human resource officer shared her experience working with a new CEO who was focused on transforming the corporate culture. The company works in an industry that demands constant innovation, and the CEO is determined to enhance the organization's capacity to innovate by reducing layers of management and making the company more nimble.

During the question-and-answer period, there were lots of questions about how her team was helping manage the massive changes throughout the company, as well as within her own team of HR professionals. She was asked what competencies she was focusing on for the development of her own team; what did she think they would need to be candidates for a CHRO position?

There were no real surprises in her list of competencies—business acumen, change management, influencing and communication skills, executive compensation—but then she paused and said that she felt that competency with managing technology was growing rapidly in importance, and that HR professionals really needed to focus on this area of their own development.

I wasn't really surprised by her comments. The growing importance of competency with technology was reflected in both the SHRM Competency Model and the last update of the University of Michigan competency model. But I think her comment was influenced by her own recent experience with changing technology partners after many years with one vendor. The change was necessary to help her company better align HR contributions to the business strategy. The company had realized that if it really was committed to creating a more agile company with the ability to embrace rapid change, it needed to ensure that its technology infrastructure would support the strategy. Once it spent time analyzing its entire technology infrastructure, including its accounting and CRM systems, the company realized a change in HR technology—which allowed for greater interface between functional areas—was necessary to help it advance its strategy.

Making sure that you have done everything possible to align your HR technology with your organization's strategy isn't something that should be reviewed only every few years when vendor contracts come up for renewal. It has to be something that HR professionals monitor on an ongoing basis, just as you are responsible for monitoring progress against succession plans, compliance with various statutory requirements or ensuring that compensation strategy continues to support the business strategy.

This means being aware of new technologies as they come online and being aware of what technologies your competitors may be relying on. It means understanding the cost/benefits of various tools that are available and being able to recognize the difference between technologies that might provide you with interesting information versus technology that can provide you with important information and insights.

Maintaining currency in new technology trends isn't easy. And in an environment where there is heavy competition for your time and attention, spending time on something just to stay current can seem impossible. But I believe technology currency is now, and will forever be, a foundational competency for HR professionals who truly want to add value to their organizations.

For many HR professionals their technology focus has been on HRIS systems that helped streamline HR processes such as tracking applicants, conducting open enrollments, making payroll payments, monitoring time and attendance—or basic record keeping. It's been about increasing HR efficiency by eliminating as much of the transactional aspects of the job as possible. And that's a good thing—it allows HR professionals to have more time free to focus on strategic imperatives instead of administrivia.

Today, HR professionals also need to know how to leverage some of the social networking technologies to help build connections with candidates, between employees or between employees and customers—based on how enhanced connectivity will advance the business strategy. HR professionals need to understand mobile technology and embrace the reality that candidates, employees and customers all expect to be able to access the organization using mobile technology. HR professionals need to recognize that GPS technology and “wearables” are rapidly spreading, allowing employers to monitor where, when and how workers are working. HR professionals must be prepared to guide their organizations in determining how much of this information is too much information and how this information is best used, and be prepared to articulate where an employer's right to know ends and employees' rights to privacy begin.

Although for some it will be a challenge to fully leverage HR technology to advance their organization's strategy, those who fail to do so risk missing out on some of the most exciting developments in their field. New data mining capabilities are allowing organizations to become more competitive and successful. It is increasingly possible to rapidly analyze diverse data sets to inform the entire business—not just HR functional areas—by providing insights that were previously difficult to discern because it was too difficult to analyze when spread across multiple systems. Now, more than ever, HR professionals and other executives can turn information into knowledge from which decisions can be made.

For example, JPMorgan Chase & Co. has developed an algorithm designed to identify rogue employees, relying on multiple data inputs such as workers who skip compliance classes, violate personal trading rules or breach market-risk limits.⁸⁵

FinCo Management built predictive turnover models for its call centers in an effort to reduce turnover. It developed an algorithm that pulled from historical personnel data about individual attributes such as tenure and career level, as well as external influences, such as the outside labor market and where employees resided. The analysis provided insights on what the company could do around compensation, career development, experience levels, mobility and work/life balance to drive retention.⁸⁶

Relying on data it had available, Bon-Ton, a large retail chain, identified attributes of more successful cosmetics sales reps by screening candidates for traits such as cognitive ability, situational judgment and initiative-taking. By focusing hiring efforts on those who scored highest, the store was able to increase sales per representative and lower turnover.⁸⁷

Rather than ranking knowledge of HR technology low on the list of things to follow, HR professionals need to move it to the top of the list. Pay attention to what the software companies are doing in the HR space. Talk to colleagues who use different systems to learn from the lessons they may have learned. Recruit tech-savvy HR professionals onto your HR team.

A tech-savvy HR function is critical not only because it allows HR to help drive and measure worker productivity and contributions to the business. It's critical because it models behavior that employers will need from the entire workforce, when technology is likely to redefine the very nature of work. The rapidly developing availability of robots to perform work previously done by people, combined with great strides in the development of artificial intelligence able to analyze and assess situations and conditions that only human could once analyze and assess, will cause unrelenting pressure on workers to learn, change and adapt to new roles.

And if HR has not demonstrated that it is able to do this for its own function, how will it ever be trusted to help do it for the entire workforce?

Non-HR C-suite Executives' Views of the HR Function



Human capital issues influence all aspects of a business, and thus the interaction between HR and other parts of the organization affects the overall ability of each business to succeed. Understanding how leaders of other business functions view the human capital challenges HR must contend with as well as perceptions of the HR function itself is critical to HR professionals becoming more effective. Therefore, in a separate survey, non-HR C-suite executives were asked the same questions about human capital, the HR function and financial challenges. They were also asked some additional questions about the role of the HR function in their organization and their views of the HR function.

The sample comprised a range of organizational leaders, including presidents, CEOs, chairs, partners or principals, senior vice presidents/executive vice presidents as well as chief financial officers, chief technology officers, chief operating officers and other C-suite executives. For most of this sample, HR either reported to these individuals or was among their peers. This reporting relationship positioned these respondents to be well informed about HR's role, strategies and objectives. More detailed information about the non-HR senior executives is shown in the Methodology section.

How Non-HR Senior Executives View HR and Strategy

HR professionals see themselves as strategic, but the question of whether other business functions share this view is still sometimes debated. The survey sought to better understand non-HR senior executives' views of the HR function as it relates to strategy. As shown in Figure 11, the most common view of HR was as a combination of a transactional and strategic function. Not only was this the most common view among the non-HR senior executives surveyed, it was also the view they felt was most commonly held by their C-suite counterparts. An equal percentage (21%) saw HR as mainly a transactional or administrative business function and as a strategic partner. However, slightly more felt that their other C-suite peers viewed HR as mainly a transactional/administrative function (25%) versus as a strategic partner (18%). A small number saw the HR function as mainly an enforcement function necessary to oversee employment compliance (15%), and a similar percentage (19%) felt that this was how their C-suite colleagues viewed the HR function.

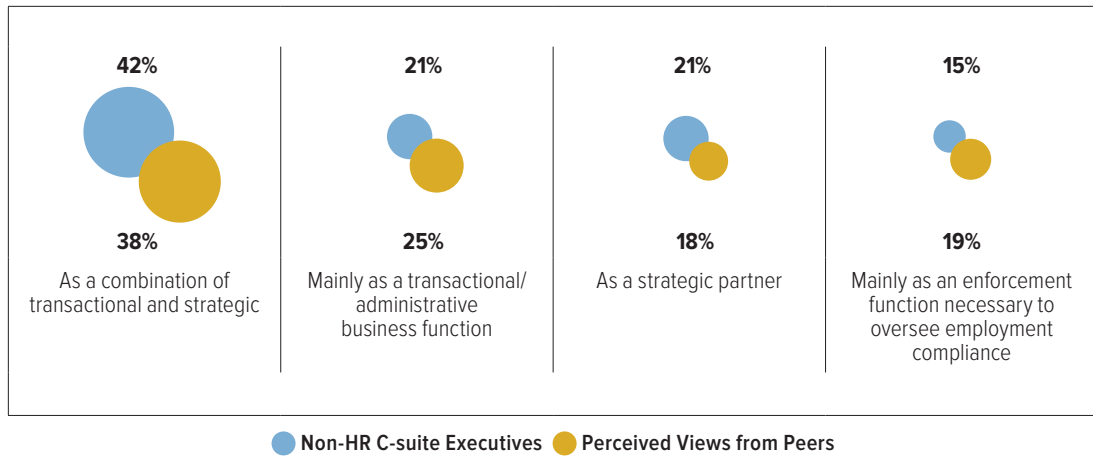
When asked if their organization would be making any changes to the HR function over the next 10 years, 71% responded affirmatively. The most common planned changes, cited by 26% of non-HR C-suite executives,

were broadening the scope and reach of the HR function in business partnering and outsourcing more transactional HR tasks. This was followed by broadening the scope and reach of HR in change management (22%) and moving away from qualitative metrics to more quantitative analytical tools to measure HR's impact (18%). Low on the list were plans to transfer more HR tasks to line management (16%) and plans to decentralize generalist HR support to individual business units (12%), as shown in Figures 12 and 13. The findings suggest that non-HR senior executives understand the value that HR brings to the organization. There does not appear to be much support for moving HR processes to line management, indicating that most non-HR senior executives believe the expertise of the HR function makes it best suited to carry out these tasks. These findings also highlight the elevation of Business Acumen, Critical Evaluation and Consultation competencies, which all remained constant in their perceived importance between now and the future. The need for evidence-based, data-driven human capital solutions aligned to organizational strategy underscores how HR is being viewed as more transformational and less transactional.

There were a few statistically significant differences by sector. Significantly more privately owned for-profit organizations (29%) than nonprofits (13%) said they planned to outsource more transactional HR tasks. Meanwhile, more than one-half of senior executives in the government sector (55%) said they were not planning on making any of the listed changes, compared with 23% in the publicly owned for-profit sector and 26% in the privately owned for-profit sector. These percentages indicate that although HR professionals in the government sector may experience fewer opportunities to focus on strategic initiatives, those in the for-profit sector can expect to see some changes in the way their organization positions HR in the coming years, as shown in Table 36 in the appendix.

FIGURE 11

Is HR Viewed as Strategic or Transactional?



Note: n = 485. Percentages may not equal 100% due to rounding.
 Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

When it comes to making HR more strategic, non-HR senior executives indicated that they would take a number of different approaches, but there were no specific actions that were shared by a majority of respondents. The top actions currently being taken, according to non-HR senior executives, are to engage top executives to develop HR strategy (22%), refresh HR strategies such as selection compensation, benefits and training (also 22%), and get senior executives more involved in implementing HR strategies (20%). Though HR professionals generally agreed with non-HR senior executives about getting senior executives more involved, they were much more likely to say they were refreshing HR strategies. These most commonly reported actions were followed by investing in HR professional development and focusing on HR competences (19%) and then a series of measurement and assessment options, including measuring the specific effects of HR programs, measuring the financial efficiency of HR operations, engaging in assessing the effectiveness of the overall HR function as seen by HR and its stakeholders, as well as holding HR accountable for providing innovative solutions and programs (all 17%, see Table 6).

Looking ahead to the next 10 years, the top actions non-HR C-suite executives said their organizations would be taking were refreshing HR strategies to align with evolving business goals (21%), measuring the specific effects of HR programs (19%) and getting senior executives more involved in implementing HR strategies (18%), as shown in Table 6. The largest difference between current and future actions was in engaging top executives to develop HR strategy (22% are taking this action currently compared with 15% who expect their organization to take this action in the next 10 years—a difference of 7 percentage

points). Once again, HR professionals were more likely to say that their organization should refresh HR strategies in the next 10 years (30% compared with 21% of non-HR C-suite executives). They were also more likely to say that their organization should invest in HR professional development (24% compared with 16% of non-HR C-suite executives). Non-HR C-suite executives may feel that top executives need to get involved in the transition of HR to a more strategic function, but fewer forecast that this will be needed in the next decade. Perhaps their assumption is that by setting this strategic foundation now it will be less necessary to focus on it in the next decade, thus the decline between the current and expected future use of this tactic. Elsewhere, the differences between current actions and those planned for the next 10 years were relatively small.

There were some statistically significant differences between sectors; 13% of non-HR C-suite executives from privately owned for-profits said that engaging top executives to develop HR strategy was a current action their organizations were taking compared with 30% of those in the government sector. Very few non-HR C-suite executives in the nonprofit sector said their organizations were currently developing a global perspective that values and considers the perspectives and backgrounds of stakeholders around the world (5%) as one of their key actions, compared with 21% in the publicly owned for-profit sector (see Table 37 in the appendix).

About one-half (49%) of non-HR C-suite executives identified the CEO/executive team as the driving force behind developing a more strategic HR function at their organizations, suggesting that HR issues and strategy are now central parts of the executive leadership teams' remit.

There appears to be a growing awareness that every organization's greatest asset is its human capital, and it follows that HR can drive strategy to leverage this talent to help ensure organizational success. CEOs are seeing this as a competitive advantage and are thus calling upon HR to lead. As human capital issues become even more critical to organizational success, the recognition among business leaders of their own role in developing successful HR strategies is likely to grow. A little more than one-quarter (26%) of non-HR C-suite executives said that their HR department was the driving force behind efforts to make HR more strategic. A smaller percentage (16%) said it was the CFO/finance department. This group may include many organizations where the HR function reports to the CFO. Almost no non-HR C-suite executives said shareholder or investor pressure was driving the shift to a more strategic HR function (2%). Likewise, very few organizations (5%) said their organizations were not currently focused on making their HR function more strategic (see Figure 14).

Human Capital Challenges According to Non-HR C-suite Executives

While HR is mainly responsible for sourcing, retaining and developing their organizations' human capital, senior executives across business functions are also extremely focused on this aspect of business, not least because it is increasingly seen as having the greatest impact

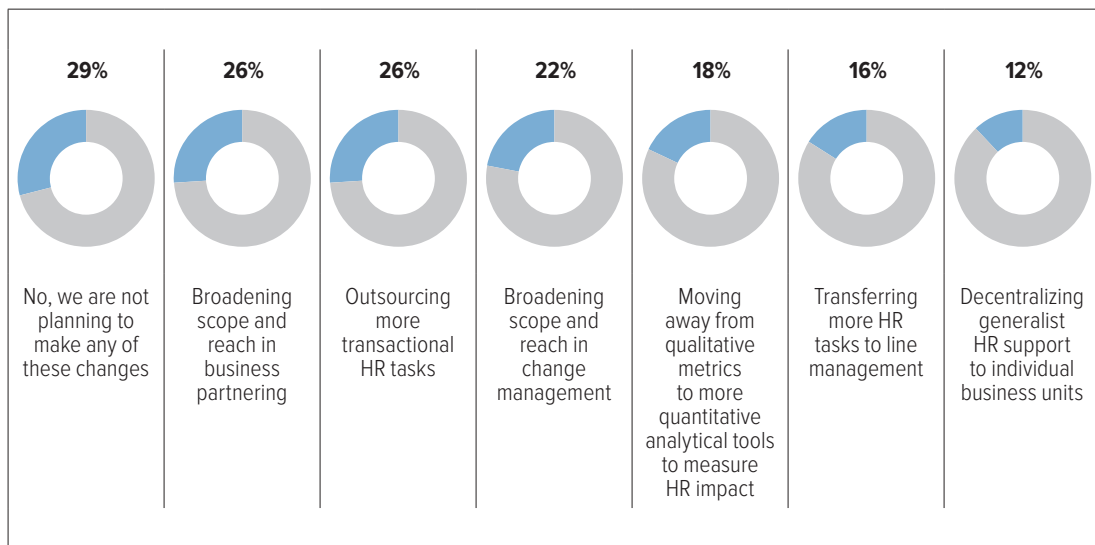
on the productivity and profitability of organizations across all industries. This may be especially true during a time of economic recovery and expanded employment opportunities for employees with in-demand skills and experience. If recruiting difficulty continues to ramp up, a growing awareness among non-HR C-suite executives of the importance of retaining and engaging in-demand talent will bring even more attention to human capital issues in discussions of business strategy. The overall findings on human capital challenges show some differences between those identified by HR professionals and those of non-HR C-suite executives.

Today's Human Capital Challenges

Both HR professionals and non-HR C-suite executives had among their top five concerns engagement, retention and compensation. Whereas HR professionals reported that maintaining high levels of employee engagement was their most critical current human capital challenge (38% chose it as one of their greatest challenges), non-HR C-suite executives were most likely to say that retaining their highest-performing employees was a critical human capital challenge (28% chose this option). And while developing the next generation of organizational leaders was the second highest human capital challenge according to HR professionals (31%), maintaining competitive benefits offerings was the second most common challenge chosen by non-HR C-suite executives (22%). There was general agreement about the challenge of retaining employees overall, with 25% of HR professionals and 22% of non-HR C-suite executives choosing this as

FIGURE 12

Over the Next 10 Years, Is Your Organization Planning to Make Any of the Following Changes to Your HR Function? Non-HR C-suite Executives' View



Note: n = 485. Percentages do not equal 100% due to multiple response options.
Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

one of their current critical human capital challenges (see Figure 1 for HR practitioners' top challenges and Figure 15 for non-HR C-suite executives' responses). Overall, non-HR C-suite executives had a wider variety of responses to this set of questions. This could suggest that non-HR executives focus less on these factors compared with HR professionals, whose jobs are dedicated to meeting their organizations' human capital challenges. Non-HR C-suite executives may also be more focused on outcomes, such as retention, than on what's needed to get those outcomes, such as improvements in employee engagement or compensation.

Looking Ahead: Human Capital Challenges in the Coming Decade

Both HR professionals and non-HR C-suite executives placed developing the next generation of organizational leaders at the top of their list of future human capital challenges. But whereas 39% of senior HR professionals selected it as one of their most pressing future challenges, the percentage of non-HR C-suite executives who agreed was somewhat smaller, at 24%. Retaining their highest-performing employees and maintaining competitive benefits offerings tied as the second highest

TABLE 6

To Make HR More Strategic, What Are the Key Actions Your Organization Is Taking or Should Take?
Non-HR C-suite Executives' View

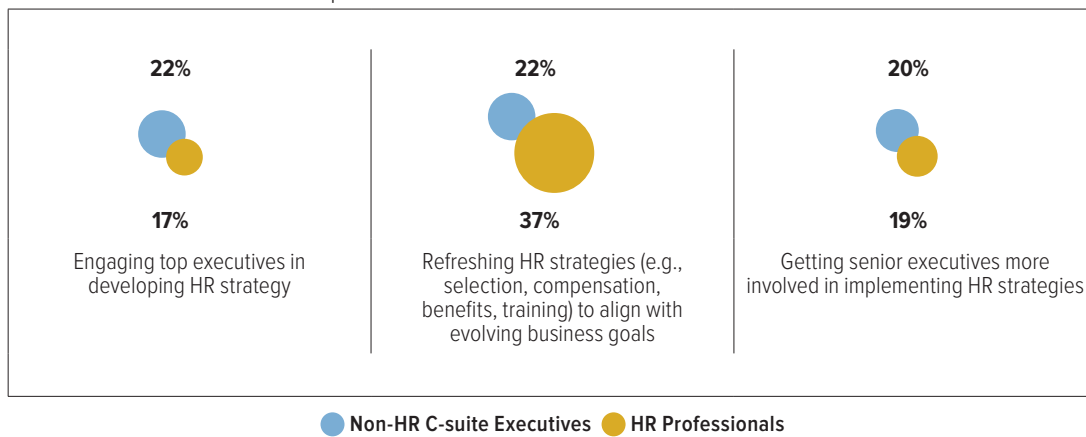
	Currently	Next 10 Years	Difference in Percentage Points
Engage top executives in developing HR strategy	22%	15%	-7
Refresh HR strategies (e.g., selection, compensation, benefits, training) to align with evolving business goals	22%	21%	-1
Get senior executives more involved in implementing HR strategies	20%	18%	-2
Invest in HR professional development and focus on HR competencies, such as emerging business-critical skills	19%	16%	-3
Measure the specific effects of HR programs (e.g., learning from training, motivation from rewards, validity of tests)	17%	19%	2
Measure the financial efficiency of HR operations (e.g., cost-per-hire, time-to-fill, training costs)	17%	15%	-2
Engage in assessing the effectiveness of the overall HR function as seen by HR and its stakeholders	17%	14%	-3
Hold HR accountable for providing innovative solutions and programs	17%	12%	-5
Develop broader business acumen among HR staff	15%	16%	1
Change the evaluation of HR business partners (e.g., use talent metrics such as quality of hire, leadership progression, retention)	12%	13%	1
Link HR functions to organization's assets (e.g., using metrics to demonstrate HR's return on investment)	12%	14%	2
Develop a global perspective that values and considers the perspectives and backgrounds of stakeholders around the world	11%	14%	3
Move strategic HR functions to business units (e.g., moving toward a business-partner model)	10%	12%	2
Not applicable, our organization is not currently taking any actions to make HR more strategic	10%	9%	-1
Not sure	9%	11%	2

Note: n = 485. Percentages do not equal 100% due to multiple response options. Respondents could select up to three options. Yellow highlighted cells indicate the top three response options for that column.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

FIGURE 13

What Actions Is Your Organization Taking to Make HR More Strategic?
 Non-HR C-suite Executives Compared with HR Professionals



Note: HR professionals n = 318. Non-HR C-suite executives n = 485. Only the top three response options from non-HR C-suite executives are shown.
 Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

future human capital challenges among non-HR C-suite executives (both 19%); meanwhile, 26% of HR professionals chose benefits as a critical future challenge. HR professionals' second highest critical challenge was managing the loss of key workers and their skill sets due to retirement (35%), but among non-HR C-suite executives, 16% chose this as a critical future challenge. Even the challenges lower down the list, such as maintaining competitive compensation offerings (24%) and retaining the highest-performing employees (23%), were selected by a higher percentage of HR professionals compared with some of the top future challenges selected by non-

HR C-suite executives (HR professionals' views are shown in Figure 1, and non-HR C-suite executives' challenges are shown in Figure 15). These differences between the two groups may be mainly due to different perspectives. HR professionals may be more likely to think within the HR function realm, reflecting the general issues and challenges that are shared across HR departments in a variety of industries and settings. On the other hand, senior non-HR C-suite executives may instead be more likely to focus on the business context of the organization. This perspective could be more likely to reflect the variances among industries, organizational size, markets, etc. The

TABLE 7

To Whom Does HR Report?

	1-99 FTEs	100-249 FTEs	250-499 FTEs	500-999 FTEs	1000-2499 FTEs	2500-7499 FTEs	7500 or more FTEs
Chief executive officer (CEO)	34%	36%	42%	41%	40%	49%	54%
President/owner	32%	24%	21%	15%	16%	13%	13%
Chief operating officer (COO)	8%	9%	9%	11%	10%	12%	9%
Head of operating unit	2%	5%	4%	4%	3%	0%	2%
Chief financial officer (CFO)	8%	14%	9%	10%	10%	2%	4%
Head of administration/chief administration office (CAO)	2%	3%	5%	5%	10%	13%	9%
Other, please specify	13%	9%	11%	14%	12%	11%	11%

Source: SHRM 2015 Human Capital Benchmarking Database

higher numbers among HR professionals suggest more agreement, whereas lower numbers for executives show more variety in opinion.

There were a few statistically significant differences by sector. Whereas 33% of non-HR C-suite executives at privately owned for-profits said that retaining their highest-performing employees was one of their most critical current human capital challenges, only 16% of their counterparts at nonprofits agreed. And 15% of non-HR C-suite executives at publicly owned for-profit companies said managing change due to shifting business strategies or market volatility was a top human capital challenge, compared with only 2% of non-HR C-suite executives

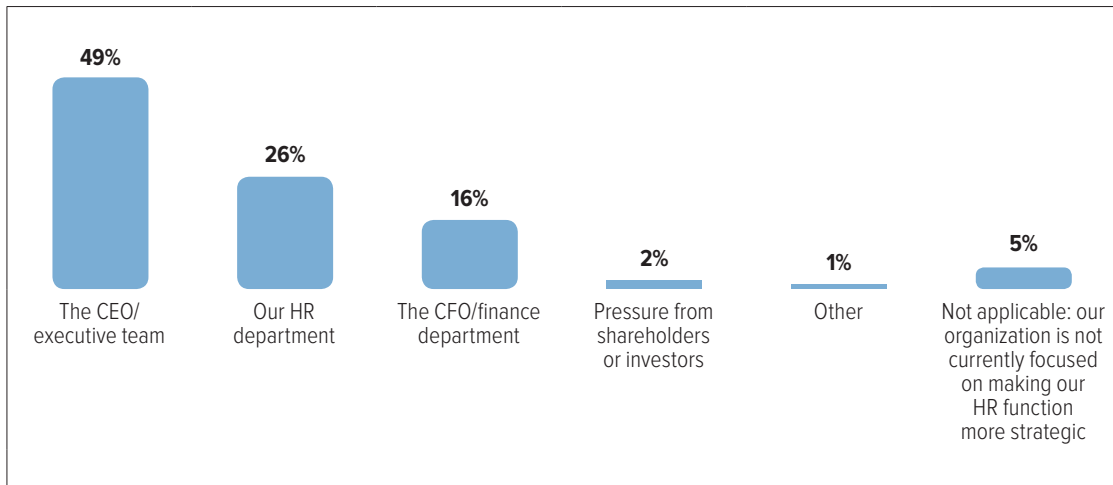
working in the nonprofit sector (see Table 38 in the appendix).

Challenges Involving the HR Function According to Non-HR C-suite Executives

Just as non-HR C-suite executives are increasingly aware of human capital issues because of the impact these issues have on all aspects of the business, the importance of maximizing employee performance has also focused attention on the significance of the HR function. The HR-related challenges non-HR C-suite executives identify

FIGURE 14

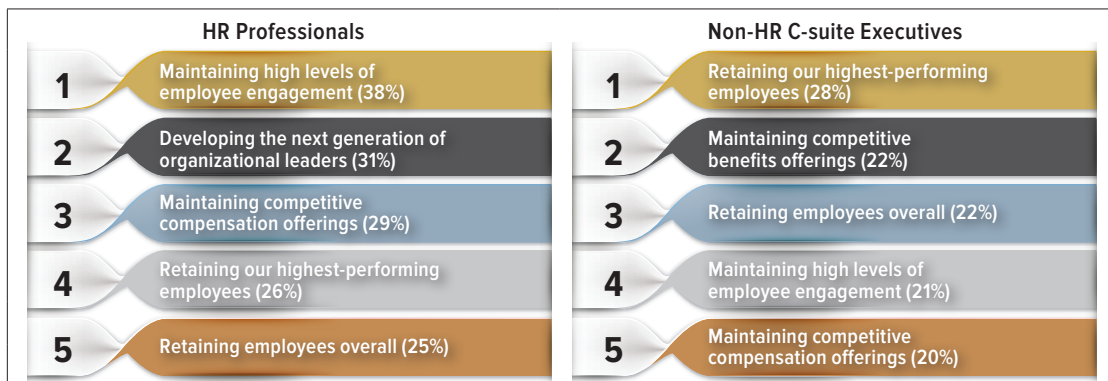
What Is the Driving Force Behind Developing a More Strategic HR Function?
Non-HR C-suite Executives' View



Note: n = 485. Percentages do not equal 100% due to rounding.
Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 8

Today's Top 5 Human Capital Challenges: HR Professionals vs. Non-HR C-suite Executives



Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

reflect their views of the HR function itself and how they are likely to work with it in their organizations.

Today's HR Function Challenges

HR professionals appear to show a high level of agreement when considering the current business challenges closely involving the HR function. Almost 70% agreed that executing HR processes smoothly and efficiently under constrained resources such as time, staff, technology and finances was today's top HR function challenge. This was also the top challenge identified by non-HR C-suite executives, but the percentage of respondents who chose this option was noticeably lower (37%). Whereas moving HR from a transactional to transformational role within the organization was second on the list of today's HR function challenges according to HR professionals themselves (44%), it was lowest on the list of HR function challenges identified by non-HR C-suite executives (25%). In this case, HR professionals may consider this challenge as a more urgent, near-term issue while non-HR C-suite professionals could see it as more of a long-term challenge, thus reducing some of its immediate urgency. Instead, the growing complexity of legal compliance and attracting highly competent HR professionals that align with strategies were the other factors that non-HR C-suite executives put at the top of their list, at 32% and 30% respectively (see Figure 16).

Perhaps the most interesting contrast between HR professionals and non-HR C-suite executives was the difference in their concern about attracting competent HR staff. While few HR professionals (16%) were currently concerned about attracting highly competent HR professionals that fit with their organization's HR strategy (see Figure 2), 30% of non-HR C-suite executives said this was a critical challenge (see Figure 16). This may point to a difference in overall satisfaction with the skills and preparedness of their current HR staff, with HR professionals more likely to see themselves and their team as highly competent but non-HR C-suite executives less convinced. It may be that executives are more likely to believe that they need to hire new HR staff if they want a different set of skills for their HR function, whereas HR professionals feel they and their staff can take on these new roles, but just need to have the opportunity for professional development and training. As shown in Figure 10, professional development was the top cited (84%) tool/resource needed to provide solutions to HR challenges, according to HR professionals.

Non-HR C-suite executives were also asked about their views on their organizations' greatest challenges involving HR talent both currently and in the coming decade. Their top current challenge was finding HR talent with leadership ability (31%). This was followed by finding HR talent that fits within the culture of their organization and finding HR talent with strategic HR expertise (both 28%). One-quarter said that a key current concern was finding HR talent that has a business mindset. Finding HR talent

FIGURE 15

What Are Your Organization's Greatest Human Capital Challenges?

Non-HR C-suite Executives' View



● Currently ● Next 10 Years

Note: n = 485. Percentages do not equal 100% due to multiple response options. Respondents could select up to three options.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

with legal compliance expertise (20%) reflected the concern with the growing complexity of legal compliance. Some non-HR C-suite executives also said that the availability of HR talent in their organization (19%) or in the marketplace (18%) was a current challenge (see Figure 17).

Statistically significant differences were seen by organization staff size on the challenge of finding HR talent with expertise in global and cultural effectiveness: while 22% of non-HR C-suite executives at organizations with staff sizes of both 500 to 2,499 employees and 2,500 to 24,999 employees saw this as a key current challenge, only 8% of those at organizations with 100 to 499 employees agreed (see Table 39 in the appendix).

Looking Ahead: HR Function Challenges in the Coming Decade

Fewer (37%) HR professionals surveyed thought that executing HR processes smoothly and efficiently under constrained resources would be a challenge over the next 10 years compared with the 69% of respondents who identified this as a current challenge. Non-HR C-suite executives, on the other hand, were far less concerned about this factor currently (37%) and even less concerned about meeting this challenge in the next 10 years (25%).

And although 39% of the HR professionals surveyed said that moving HR from a transactional to transformational role within the organization would be a key future challenge, only 29% of non-HR C-suite executives agreed. This was a slight increase from the 25% of respondents who saw it as one of their key challenges today.

Like HR professionals, non-HR C-suite executives thought that executing HR processes smoothly and efficiently under constrained resources would be less of a problem in the future—it dropped from 37% citing this as a current challenge to 25% who saw it as a challenge in the coming decade. There was little change in the percent-

age of those who thought attracting highly competent HR professionals would be a future challenge (30% currently compared with 28% in the next 10 years) or those who expressed concern about aligning HR technology to strategy (28% currently compared with 26% in the next 10 years). Thirty-three percent said the growing complexity of legal compliance would be a key challenge (about the same percentage, 32%, saw it as a current challenge). Creating an effective HR infrastructure was seen as a future challenge by 29% of non-HR C-suite executives (compared with 26% who saw it as a current key challenge), as shown in Figure 16.

When considering future challenges related to the organization's HR staff, finding HR talent with leadership ability remained the top concern, though it declined slightly from 31% of respondents who said it was a current challenge to 28% of those who thought it would be a challenge in the future. Most other factors also declined slightly. Finding HR talent that has a business mindset didn't change, with about one-quarter identifying it as a future challenge. Twenty-two percent were concerned with finding HR talent that fits within the culture of their organization (a decline of 6 percentage points from 28%), and 22% said that finding HR talent with strategic HR expertise would be a future challenge (compared with 28% today). Finding HR talent with legal compliance expertise remained a concern for 21% of respondents as they looked ahead, as did availability of HR top talent within the marketplace (17%). A slight increase was seen in the percentage of those concerned with finding HR talent with global experience and capabilities (see Figure 17).

Statistically significant differences were found between the smallest organizations, where only 11% said that availability of top HR talent within the organization would be a challenge in the coming decade, compared with 29% of those at the largest organizations who saw this as a future challenge (see Table 40 in the appendix). Larger

TABLE 9

Today's Top 5 HR Function Challenges: HR Professionals vs. Non-HR C-suite Executives

HR Professionals		Non-HR C-suite Executives	
1	Executing HR processes smoothly and efficiently under constrained resources (69%)	1	Executing HR processes smoothly and efficiently under constrained resources (37%)
2	Moving HR from a transactional to a transformational role within the organization (44%)	2	Growing complexity of legal compliance (32%)
3	Growing complexity of legal compliance (41%)	3	Attracting highly competent HR professionals that fit with our organization's strategy (30%)
4	Creating an effective HR infrastructure (35%)	4	Aligning HR technology practices to organizational management strategy (28%)
5	Aligning HR technology practices to organizational management strategy (33%)	5	Creating an effective HR infrastructure (26%)

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

organizations may be more likely to need a larger HR staff to manage complex and cross-border legal compliance issues and to implement HR strategies. Therefore, non-HR C-suite executives in very large organizations may consider their need for experienced and highly skilled HR staff to be greater than their counterparts in smaller organizations.

Meeting HR-related Challenges

The most important factors that non-HR C-suite executives said would determine their organizations' ability to successfully meet their HR-related challenges were the strength and effectiveness of their HR leadership (23%), strong HR competencies among their HR staff (21%) and strong and effective organizational leadership (20%). Looking ahead to the next 10 years, the most important factors were the efficient use of HR information systems and technology (18%), strong and effective organizational leadership, and changes in the regulatory environment (both 17%), as shown in Table 10. Statistically significant differences were seen between government executives, where 33% identified the efficient use of HR information systems/technology as a key current challenge, and those in publicly owned for-profit sector, where 13% cited this as a concern. The recent wide-scale data breach of federal government employee data, most likely due to overseas hackers, illustrates why this issue is of higher importance to those in the government sector (see Table 41 in the appendix). Another difference was between publicly and privately owned for profits on the efficient use of human capital analytics (21% and 9% respectively).

The overall findings suggest that leadership will continue to be an important factor for meeting the future challenges that concern organizational leaders in general and HR leaders specifically. This is probably why strong HR competencies are also a top factor: to lead the HR function effectively HR professionals will need to have mastered a range of HR competencies.

Financial Challenges According to Non-HR C-suite Executives

While about one-half of HR professionals identified obtaining human capital as the most important financial challenge for the coming decade, compliance with laws, rules and regulations was seen by non-HR C-suite executives as the top financial challenge in the next decade, with obtaining human capital as the second biggest financial challenge. However, once again, there was less agreement among non-HR C-suite executives, so even though in terms of ranking the top options were different, more HR professionals cited legal compliance as a key future concern. Compared with HR professionals, non-HR C-suite executives were more concerned with optimizing technological capital investments, maximizing financial capital and protecting intellectual capital (see Figure 18).

Significantly more senior executives from publicly owned for-profit organizations were concerned with protecting intellectual capital than those at privately owned for-profit organizations (28% vs 14%, as shown in Table 42 in the appendix).

FIGURE 16

What Are Your Organization's Greatest Challenges Involving the HR Function?

Non-HR C-suite Executives' View



● Currently ● Next 10 Years

Note: n = 485. Percentages do not equal 100% due to multiple response options. Respondents could select up to three options.
Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

FIGURE 17

What Are Your Organization's Greatest Challenges Involving HR Talent?
Non-HR C-suite Executives' View



Note: n = 485. Percentages do not equal 100% due to multiple response options. Respondents could select up to three options.
Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

Size of Workforce

Non-HR C-suite executives and HR professionals hold similar views on how the size of their workforces will change in the coming decade, with one key difference. Non-HR C-suite executives were less likely to say that they were not sure how their workforce would change. This may suggest that HR professionals are not always privy to some strategic discussions about workforce planning, especially if these plans involve shrinking the workforce in the years ahead. Though it is not entirely clear why this difference might exist, it could be a reflection of the differences in seniority between the sample of overall HR professionals surveyed compared with the non-HR C-suite executives surveyed; the more senior executives are more likely to have taken part in strategic discussions, especially in relation to potentially sensitive issues involving changes in staff size. Whereas 18% of non-HR C-suite executives said they foresaw a smaller workforce in the next 10 years, 11% of HR professionals agreed. However, the majority of both non-HR C-suite executives and HR professionals forecast that their workforce would increase (59% and 58% respectively). Nineteen percent of non-HR C-suite executives said they expected no change, compared with 16% of HR professionals, as shown in Figure 19.

Statistically significant differences were seen between publicly owned for-profits, 61% of which expected a larger workforce, privately owned for-profits, where 63% forecast growth, and the government sector, where 33% of respondents said they expected an increase in their workforce, as shown in Table 43 in the appendix.

HR Competencies

Non-HR C-suite executives were also asked about the HR competencies they felt were most critical for both senior and non-senior HR professionals to possess both now and 10 years from now. These findings give an insight into the behaviors and skills these executive value the most in their HR teams.

The findings show very little difference between the competencies non-HR C-suite executives value in the most senior HR colleagues today and those they think will be most critical in the next decade. The number one competency today is Human Resource Expertise, or effectively putting into practice the HR principles that contribute to business success (29%). This is followed by Leadership and Navigation at 28% and Business Acumen at 27%. These findings appear to reflect a belief that senior HR executives must build their value to the organization

TABLE 10

What Key Factors Will Determine Your Organization’s Ability to Successfully Meet HR-related Challenges? Non-HR C-suite Executives’ View

	Currently	Next 10 Years	Difference in Percentage Points
Strong and effective HR leadership	23%	16%	-7
Strong HR competencies among HR staff	21%	15%	-6
Strong and effective organizational leadership	20%	17%	-3
The efficient use of HR information systems/technology	17%	18%	1
A greater investment in employee skills/development through training and education	16%	16%	0
Strong support for the HR function from senior leadership	16%	13%	-3
Changes in the regulatory environment	15%	17%	2
The development and implementation of strategic HR practices that align with organizational goals	14%	14%	0
The efficient use of human capital analytics (e.g., turnover, revenue per full time employee)	13%	16%	3
The reorganization of the HR function to meet changing strategic needs	13%	13%	0
Development of a more strategic compensation package (excluding benefits)	13%	15%	2
A greater commitment to diversity and inclusion	12%	10%	-2
Development of a more strategic benefits package (excluding compensation)	12%	12%	0
Not sure	10%	13%	3

Note: n = 485. Percentages do not equal 100% due to multiple response options. Respondents could select up to three options. Yellow highlighted cells indicate the top three response options for that column.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

on a solid foundation of human resource expertise. But they are also expected to understand the business and to apply that understanding to their HR processes and strategies. The findings also indicate that non-HR C-suite executives do look for leadership from their senior HR colleagues, viewing it as almost equally important to their HR expertise (28% vs. 29%, as shown in Table 11).

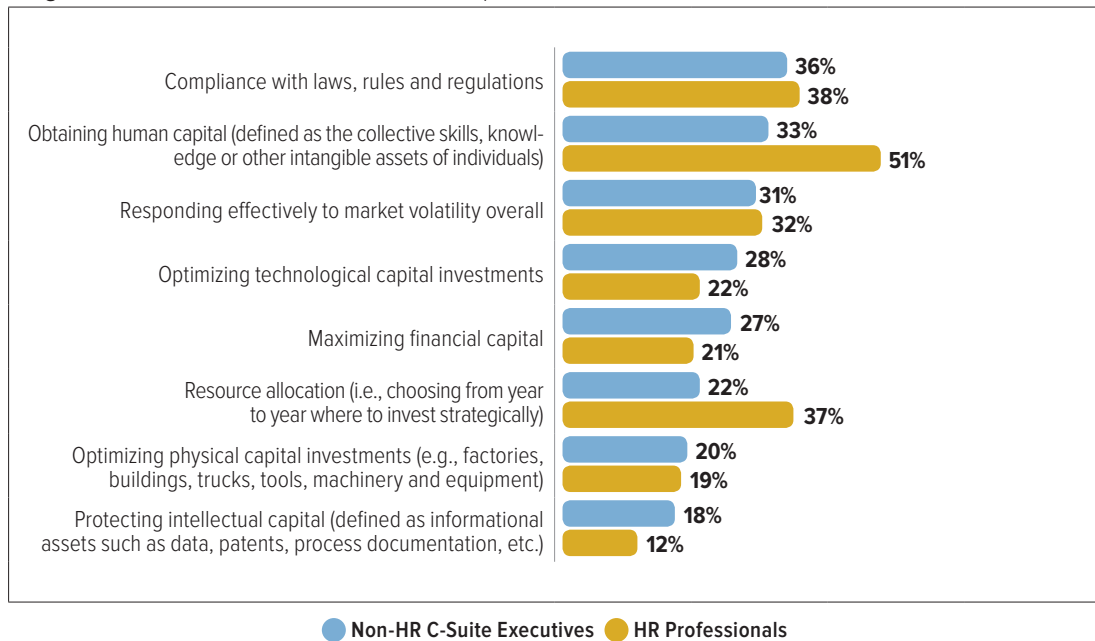
Looking ahead, the same three competencies remain at the top of the list, only in a slightly different order, with Business Acumen at the top (27%), followed by Human Resource Expertise (26%) and Leadership and Navigation (25%). The largest drop in the perceived importance of an HR competency was in Communication—there was an 8 percentage point decline for it as a critical competency for today’s senior HR professionals (26%) compared with

the next decade (18%), as displayed in Table 11. There were no competencies that showed a marked increase in perceived importance from today to 10 years from now. The Global and Cultural Effectiveness competency showed statistically significant differences between publicly owned for-profit executives (21%) compared with nonprofit executives (5%), as shown in Table 44 in the appendix.

Overall, there was a reasonably even spread between the importance of many of the competencies both now and in the future. This indicates that senior HR professionals will need to be prepared to call upon the whole range of their HR competencies to succeed. Given the unique specifics of an organization—its markets, location, size and available workforce—different competencies need to

FIGURE 18

Over the Next 10 Years, What Do You Think Will Be the Biggest Financial Challenges Facing Your Organization? Non-HR C-suite Executives Compared with HR Professionals



Note: Non-HR C-suite executives n = 458; HR professionals n = 372. Percentages do not equal 100% due to multiple response options.
 Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

be called upon at different times. But overall, the findings suggest that all the HR competencies are required for success.

There were several differences between the competencies non-HR C-suite executives considered to be most critical for non-senior HR professionals and senior HR professionals. Human Resource Expertise, though still one of the top three most critical competencies non-HR C-suite executives value in their senior HR staff (26%), was ranked lower than Relationship Management (29%) and Communication (27%). The differences between the valued competencies for HR executives compared with non-senior HR professionals reflect the differences in their roles. Non-senior HR professionals are not in an official leadership role (though they can and do demonstrate leadership on many occasions), and this may be why Leadership and Navigation was lower on the list of key competencies considered most important for this group. Instead, non-senior HR professionals are often on the frontlines of day-to-day HR issues, including interpersonal conflicts that must be resolved and the communication of benefits and policies. Thus, it is not surprising that Relationship Management and Communication took the top spots in the list of competencies considered critical for non-senior HR professionals (see Table 12).

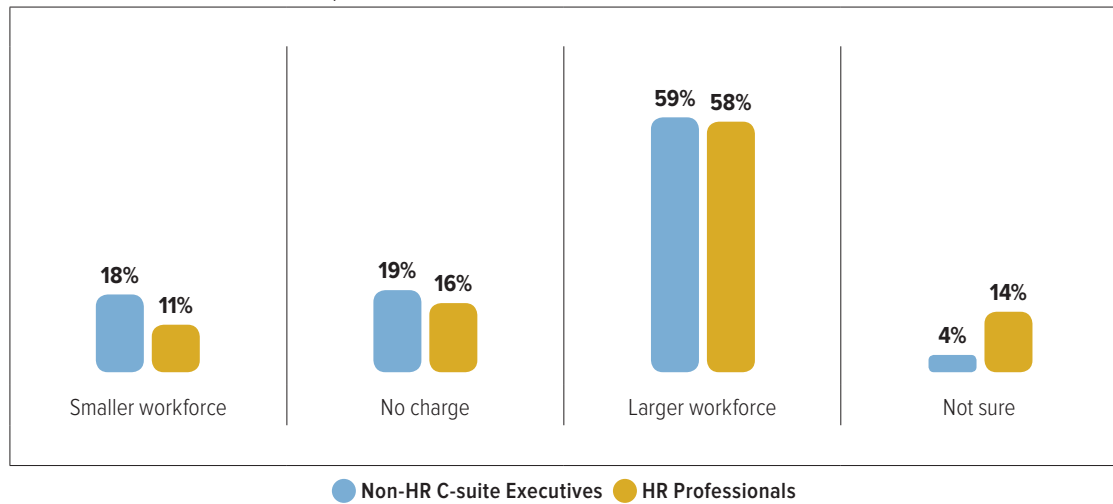
Looking ahead, there was a three-way tie between Relationship Management, Communication and Business Acumen as the top competencies for non-senior HR

professionals, according to non-HR C-suite executives (25%). Here again, most competencies saw little change in their importance over time. As shown in Table 12, there was also a fairly even spread in the findings, indicating that just as senior HR professionals will be called upon to use the whole range of HR competencies, so too will non-senior HR professionals.

Non-HR C-suite executives were asked a follow-up question that focused specifically on the Business Acumen HR competency. The question asked which components of this competency were currently most critical and which ones would be most critical 10 years from now. The findings are displayed in Table 13. Business knowledge was the component at the top of the list, with 27% saying it was currently the most important aspect of business acumen. It was followed by effective administration (23%) and knowledge of government and regulatory guidelines (22%). Interestingly, knowledge of finance and accounting appeared low on the list (12%), just above knowledge of sales and marketing (10%). This may indicate that although non-HR C-suite executives believe that HR professionals need business acumen more broadly, financial issues remain firmly and entirely the purview of the finance department. There may be little awareness among senior executives who are not part of the HR function of the frequent overlapping integration of HR with finance, particularly as HR metrics and data analytics become a more central part of the function.

FIGURE 19

Over the Next 10 Years, How Do You Expect the Size of Your Organization’s Workforce to Evolve?
Non-HR C-suite Executives Compared with HR Professionals



Note: Non-HR C-suite executives n = 485; HR professionals n = 366. Percentages may not equal 100% due to rounding.
Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 11

Which of the Following Competencies Do You See as Most Critical for the *Most Senior* HR Professionals?
Non-HR C-suite Executives’ View

	Currently	10 Years From Now	Difference in Percentage Points
Human Resource Expertise: The ability to apply the principles and practices of human resource management to contribute to the success of the business.	29%	26%	-3
Leadership and Navigation: The ability to direct and contribute to initiatives and processes within the organization.	28%	25%	-3
Business Acumen: The ability to understand and apply information to contribute to the organization’s strategic plan.	27%	27%	0
Communication: The ability to effectively exchange with stakeholders.	26%	18%	-8
Relationship Management: The ability to manage interactions to provide service and to support the organization.	25%	22%	-3
Critical Evaluation: The ability to interpret information to make business decisions and recommendations.	21%	23%	2
Ethical Practice: The ability to support and uphold the values of the organization while mitigating risk.	21%	18%	-3
Consultation: The ability to provide guidance to organizational stakeholders.	19%	17%	-2
Global and Cultural Effectiveness: The ability to value and consider the perspectives and backgrounds of all parties.	15%	16%	1
Not sure	9%	12%	3

Note: n = 485. Percentages do not equal 100% due to multiple response options. Respondents could select up to three options. Yellow highlighted cells indicate the top three response options for that column.
Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

Perhaps the most interesting contrast between HR professionals and non-HR C-suite executives was the difference in their concern about attracting competent HR staff.

Looking ahead to the next decade, knowledge of government and regulatory guidelines rose to the top of the list (24%), followed by a tie between business knowledge and strategic agility, both at 22%. There were a few notable declines between now and 10 years from now. Business knowledge, effective administration and knowledge of labor markets all declined by 5 or 6 percentage points in non-HR C-suite executives' views of the Business Acumen components of most importance now and in the next decade. It is not clear if these declines are due to changing views of these factors in general or only as they

relate to the Business Acumen HR competency for the HR function. There may be a sense that this knowledge is needed now, but once integrated, attention will turn elsewhere, such as technology.

As illustrated in Table 45 in the appendix, there was a statistically significant difference between the findings on the importance of business knowledge from publicly owned for-profits (32%)/privately owned for-profits (30%) and the government sector, where only 3% of respondents listed this component as currently most important to the Business Acumen HR competency. This may be due, in part, to the need for different business outcomes for the government sector. For example, HR professionals in the government sector may be focused more on maximizing efficiency as it relates to cost savings as opposed to revenue generation.

Non-HR C-suite executives were also asked to consider the most important behaviors in relation to the Leadership and Navigation HR competency both currently and 10 years from now. Understanding the most effective and efficient ways to accomplish tasks within the parameters of organizational hierarchy, processes, systems and policies was currently the most important behavior, according to non-HR C-suite executives, at 28%. This was followed

TABLE 12

Which of the Following Competencies Do You See as Most Critical for *Non-senior* HR Professionals?
Non-HR C-suite Executives' View

	Currently	10 Years From Now	Difference in Percentage Points
Relationship Management: The ability to manage interactions to provide service and to support the organization.	29%	25%	-4
Communication: The ability to effectively exchange with stakeholders.	27%	25%	-2
Human Resource Expertise: The ability to apply the principles and practices of human resource management to contribute to the success of the business.	26%	23%	-3
Leadership and Navigation: The ability to direct and contribute to initiatives and processes within the organization.	25%	23%	-2
Business Acumen: The ability to understand and apply information to contribute to the organization's strategic plan.	25%	25%	0
Critical Evaluation: The ability to interpret information to make business decisions and recommendations.	20%	20%	0
Ethical Practice: The ability to support and uphold the values of the organization while mitigating risk.	19%	16%	-3
Consultation: The ability to provide guidance to organizational stakeholders.	18%	15%	-3
Global and Cultural Effectiveness: The ability to value and consider the perspectives and backgrounds of all parties.	14%	16%	2
Not sure	11%	13%	2

Note: n = 485. Percentages do not equal 100% due to multiple response options. Respondents could select up to three options. Yellow highlighted cells indicate the top three response options for that column.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

by a tie between developing solutions to overcome potential obstacles to successful implementation of initiatives, and setting the vision for HR initiatives and building buy-in from internal and external stakeholders (both at 24%, as shown in Table 14). These findings highlight the importance of the navigation piece of this competency.

Once again, there was a reasonably even spread among many of the components, suggesting that many behaviors were considered to play an important role and that HR professionals would need to develop the full dimensions of their leadership abilities. Looking ahead, the top behaviors were demonstrating agility and expertise in leading organizational initiatives or supporting the initiatives of others and serving as a transformational leader for the organization by implementing change (both at 23%), followed by developing solutions to overcome potential obstacles to successful implementation of initiatives (22%) and understanding the most effective and efficient ways to accomplish tasks within the parameters of organizational hierarchy, processes, systems and policies (also 22%). The most marked differences between the leadership behaviors considered critical now compared with in the future were in understanding the most effective and efficient ways to accomplish tasks, which dropped by 6 percentage points when looking ahead to 10 years from now, as well as leading the organization through adversity, which also declined by 6 percentage points when looking ahead to the next decade (see Table 14).

To lead the HR function effectively, a senior HR professional will need to have mastered a range of HR competencies.

TABLE 13

When Considering the Business Acumen HR Competency for HR Professionals, Which of the Following Components Will Be Most Critical? Non-HR C-suite Executives' View

	Currently	10 Years From Now	Difference in Percentage Points
Business knowledge	27%	22%	-5
Effective administration	23%	17%	-6
Knowledge of government and regulatory guidelines	22%	24%	2
Knowledge of business operations/logistics	20%	16%	-4
Strategic agility	20%	22%	2
HR and organizational metrics/analytics/business indicators	19%	19%	0
Knowledge of labor markets	18%	13%	-5
Knowledge of technology	18%	21%	3
Economic awareness	15%	17%	2
Systems thinking	13%	13%	0
Knowledge of finance and accounting	12%	12%	0
Knowledge of sales and marketing	10%	8%	-2
Not sure	9%	12%	3

Note: n = 485. Percentages do not equal 100% due to multiple response options. Respondents could select up to three options. Yellow highlighted cells indicate the top three response options for that column.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 14

When Considering Leadership and Navigation for HR Professionals, Which of the Following Behaviors Will Be Most Critical? Non-HR C-suite Executives' View

	Currently	10 Years From Now	Difference in Percentage Points
Understanding the most effective and efficient ways to accomplish tasks within the parameters of organizational hierarchy, processes, systems and policies	28%	22%	-6
Developing solutions to overcome potential obstacles to successful implementation of initiatives	24%	22%	-2
Setting the vision for HR initiatives and building buy-in from internal and external stakeholders	24%	21%	-3
Fostering collaboration among stakeholders and team members	22%	20%	-2
Leading the organization through adversity with resilience and tenacity	22%	16%	-6
Demonstrating agility and expertise in leading organizational initiatives or supporting the initiatives of others	22%	23%	1
Serving as a transformational leader for the organization by implementing change	22%	23%	1
Promoting consensus among organizational stakeholders (e.g., business unit leaders, employees, informal leaders) when proposing new initiatives	20%	19%	-1
Exhibiting behaviors consistent with and conforming to organizational culture	16%	18%	2
Not sure	11%	13%	2

Note: n = 485. Percentages do not equal 100% due to multiple response options. Respondents could select up to three options. Yellow highlighted cells indicate the top three response options for that column.

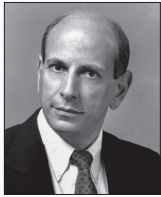
Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)



Perspectives: Business Environment

Is HR Weakest in the Areas Most Likely to Impact Corporate Success?

Steve Director, Ph.D., Professor, School of Management and Labor Relations, Rutgers University



Steven M. Director, Ph.D., is a professor at the School for Management and Labor Relations at Rutgers University and author of Financial Analysis for HR Managers: Tools for Linking HR Strategy to Business Strategy (Financial Times Press, 2013). He also acts as economic advisor to the SHRM Leading Indicators of National Employment (LINE) project.

Which HR Competencies Have the Greatest Impact on Corporate Performance?

A study conducted by the Corporate Leadership Council (CLC) found that in the opinion of the 16,000 line managers who were surveyed, fewer than one in five HR business partners were highly effective in their strategy roles.⁸⁸ That's a statement that the HR profession should find troubling. The good news is that there is lots of room for improvement, and we know how to generate those improvements. The CLC study also estimated the relationship between HR staff competencies and degree of success as a strategic partner. The maximum impact was calculated by comparing the strategic role performance of individuals rated high and individuals rated low on each capability. Of far greater importance than expertise in any HR specialization was overall business acumen (21%). What is business acumen, anyway? At the most fundamental level it is an understanding of how your company makes money and how your decisions and behaviors can impact the company's financial performance. The business acumen needed by HR professionals includes understanding their firm's business strategy, the key drivers of their firm's success and the interrelationships among the different components of the organization. This understanding and an appropriate level of analytical skills are essential to develop and execute an effective HR strategy.

Do these findings suggest that expertise in the traditional HR functions is unimportant? No, they suggest that although specialized HR skills are necessary, they are not sufficient. HR professionals need both HR knowledge and a high degree of business acumen. Most individuals in the field today have strong HR skills. There is, however, a wide range in the level of business acumen they possess. That creates substantial competitive advantages for corporations whose HR staffs possess both sets of skills. For individuals who have both sets of skills, it also creates great opportunities to advance within their HR careers. In general, the higher the individuals are (or hope to be) in the corporate hierarchy the greater the need for strong business acumen to complement their HR knowledge.

Do HR Professionals Have the Required Level of Business Acumen?

In a survey conducted by Mercer Consulting,⁸⁹ HR leaders were asked to assess the skills of their staff. They felt their staff members were strongest at interpersonal skills, recordkeeping/data maintenance, team skills, functional HR expertise, and customer service. The skill sets where these HR team members were strong are important, but they are not the skill sets that drive corporate success or the career success of individual HR managers. No company is going to become an industry leader because of the interpersonal skills or recordkeeping abilities of its HR staff. The HR leaders responding to the Mercer survey rated their staff weakest on the following skill sets: financial skills, business strategy skills, organizational assessment, cross-functional expertise, and cost analysis and management. Compare the areas where HR leaders in the Mercer survey thought their staff members were weakest with the areas the line managers in the CLC survey thought were most critical to HR's effectiveness. It is striking that taken together the two studies suggest that HR is weakest in the skills most likely to impact corporate success. Remedying this problem should be one of the highest priorities for the HR profession.

How Can HR Enhance Its Business Acumen?

An understanding of one's industry, business, customers, products and internal operations comes with experience, maybe. There are certainly many cases where bright individuals are siloed within the HR function, denying them the opportunity to gain the necessary insights into their firm's internal and external business context. Once firms realize the importance of providing their HR staff with such exposure, there are a range of mechanisms that could be used (job rotation, training programs, cross functional teams, etc.). An understanding of the business context is critical, but not sufficient. HR professionals (like all business professionals) also need a set of tools they can use to analyze that business context and evaluate alternative courses of action.

The toolset that HR professionals most often lack is financial analysis skills. All HR professionals need to understand concepts such as the difference between profit and cash flow, why the time value of money has to be considered when making any expenditure, that value is created only when the return on investment is greater than the cost of the funds used to make that investment, and the importance of assessing and managing risk. This basic understanding of financial logic is necessary to support all HR decision-making. Some HR professionals also need an understanding of specific areas where HR and finance intersect. For example, one cannot design a pay-for-performance system that supports a firm's business strategy without understanding what is captured in alternative measures of corporate financial performance. The finance department may estimate the cost difference that would result from paying in stock instead of in options, but the HR department still needs to understand these instruments well enough to judge which instrument would produce the most beneficial incentive effects. The finance department may estimate the savings from changes to the company's pension plans, but the HR department still needs to understand these plans well enough to estimate how these changes would affect employee behavior. There are countless other examples. Most HR professionals can acquire the general and specialized finance understanding they need without pursuing a degree in finance or business. The alternatives are to either participate in a well-designed training program or devote time to working through appropriate self-study materials. The challenge is to find programs or materials that demonstrate both how financial analysis tools can be used to improve the return on investment from HR initiatives and how they can be used to evaluate business strategy. Many finance for nonfinancial manager classes ignore the latter topic completely.

Use Those Business Acumen Skills to Play Offense, not just Defense

In many organizations, human resource costs (recruitment, selection, compensation, training and workforce administration) are the largest component of the firm's operating expenses. Properly managing those costs is critical to the success of any corporation. In many organizations, a 10% reduction in HR costs could, other things equal, produce an increase of 30% or more in the firm's bottom line profit. Still, of far greater importance than managing workforce costs is creating workforce value. Firms do not become industry leaders because they have the lowest turnover rate, the smallest health insurance premiums or the lowest cost per hire. Firms succeed because they create value for their customers and shareholders. Consider these two firms. Company A's management and workforce are by far the most talented and engaged in the industry. Company B's management and workforce are about average for the industry, but its cost per hire is much less than average. Which HR department is doing the better job? In which firm will more value be created for shareholders? The amount a firm can save by reducing inefficiencies in HR processes is usually insignificant compared to the amount it can gain by building a more talented and engaged workforce. Of course, if you can do both, that's fantastic.

Too often those arguing for greater business acumen among HR professionals use a defensive rationale. They emphasize measuring the ROI from specific HR initiatives as a way to demonstrate HR's value to others in the organization. The rationale for increasing HR's business acumen should not be to demonstrate HR's impact on the bottom line but to increase HR's impact on the bottom line. CFOs don't spend their time looking for ways to justify the importance or legitimacy of their function. They devote their time, energy and abilities to making their firm as successful as possible. HR should not ignore the importance of calculating the ROI from individual programs and initiatives. It should, however, recognize that the more important use of its business acumen and financial analysis skills is to think broadly

and creatively about what is required to create value for the firm's customers and shareholders. If HR acquires the necessary business acumen skills and applies them in this manner, an improved image of the HR profession will be an unavoidable side effect.

What Is HR's Role in Managing Change?

Deb Cohen, Ph.D., SHRM-SCP, Senior Vice President, Knowledge Development, Society for Human Resource Management



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From my perspective, HR has multiple roles in managing change. Sometimes HR has to implement a change because it is required by outside forces (changes in laws or safety requirements, for example). Sometimes HR has to facilitate change because it is requested by other internal stakeholders (changes in IT operations due to efficiency or effectiveness needs, for example). And sometimes HR enables change because it is the right thing to do to given current and future organization conditions.

Regardless of whether change is required, requested, right or all three, a key ingredient is to be respectful. And HR has a major role in ensuring that change is identified, developed and carried out in a respectful way. The behavioral competencies required by HR professionals allow them, through things like relationship management, critical evaluation, consultation and leadership and navigation, to engage employees in the needed change at hand.

It has been said that it is up to management to enable and facilitate change. In the case of HR, the role needs to be change agent—not in the sense of being just a conduit of change but in the sense of planning the right changes in consultation with other executives and senior leaders. Change is all around us and occurs for a variety of reasons. And it is important to manage change because all too often change initiatives fail. Failure does not always mean that something doesn't happen—it often means that something doesn't happen well or effectively.

Change is important to HR because change is going to continue in the HR profession itself. As shown in SHRM's *Business and Human Capital Challenges* report, C-suite executives expect there to be a wide range of changes in the HR profession in the next 10 years—everything from broadening the scope of HR business partnerships to outsourcing HR tasks to pushing out more HR responsibility to line management. These changes will require finesse, collaboration, expert communication and a focus on measuring the success of change initiatives.

The changes that will be occurring in HR are long-term structural changes. That is, although many of the principles of HR remain the same, the way HR is executed has changed and will continue to change. The driving forces behind these changes will be organizational need and leadership, but to ensure that the changes actually take place, transformation has to happen from the bottom up. Thus change in HR must take root at every level if it is to be truly effective. One key role for HR is to ensure that organizational strategy and organizational culture are aligned; without this alignment no matter how good the strategy or how good the culture the disconnect will likely cause failure.

At the end of the day, organizational change and changes in HR need to be successful. The HR profession suffers a multitude of critics both within and outside the ranks. HR does not need any more negative attention—it simply needs to make the changes that will drive positive value and improve organizational effectiveness while helping to align strategy and culture. If change will be constant, whether large scale or small, then HR needs to embrace its role in being an effective facilitator of change. Starting with the HR profession itself makes sense. The better we are at embracing changes in our profession the better we will enable changes throughout the organization.

The Regulatory Environment

Elizabeth Owens Bille, J.D., SHRM-SCP, VP and Associate General Counsel, Executive Office, Society for Human Resource Management



Elizabeth Owens Bille, J.D., SHRM-SCP is the vice president and associate general counsel for the Society for Human Resource Management (SHRM). As a labor and employment attorney, Bille has served as legal and policy counsel to the former vice chair of the U.S. Equal Employment Opportunity Commission (EEOC) and provided employment counsel to organizations from small nonprofits to global corporations while an attorney at the international law firm of Hogan & Hartson. In these roles, she has regularly advised clients on complex compliance matters and made numerous presentations on critical employment issues to employers, national, state and local EEO officials, attorney groups and the media.

Business executives and HR professionals continue to report that they are struggling to comply with an increasingly complex set of legal requirements placed upon their businesses. What is leading to this perception, and how did the regulatory environment get to such a state?

Regulatory Devolution

For most of the 20th century, the U.S. regulatory environment for the workplace was driven by the federal government and focused on broad-based, basic protections. Federal lawmakers from the 1930s to the 1990s enacted a series of sweeping mandates that addressed a host of core workplace issues: payment of minimum wages and overtime; the right to organize; nondiscrimination based on race, sex, color, religion, national origin, age and disability; equal pay for equal work; workplace safety; and family and medical leave, among others. The federal government created the law of the land, and businesses rarely needed to look elsewhere to comply.

At the end of the 20th century, however, Congressional activity in the employment arena began to wane, and states took up the mantle. Acting as laboratories of public policy, states began adding to the baseline of employment regulations created by the federal government. They created new protected classes (e.g., marital status, personal appearance, sexual orientation, gender identity, genetic information), raised the minimum wage, and even mandated new levels of workplace benefits, such as family or sick leave, in their states. Soon states began passing laws against requesting or requiring access to worker social media accounts, prohibiting “use it or lose it” vacation time policies and the like. Many local governments soon followed suit, addressing not only these issues in their own way, but legislating in entirely new areas—for example, so-called “ban the box” laws that prohibit employers from asking a job applicant about prior criminal convictions on a job application.

The result? An increasing volume of legislation focusing on evermore specific employment issues as lawmakers seek to fill perceived gaps in the law. The sheer number and specialized nature of the laws applicable to a given employer certainly can make compliance a difficult task.

This continued trend of regulatory localization has also created a confusing—and often conflicting—patchwork of obligations for the multi-state employer. So what is an employer operating in Boston, Biloxi and Boulder to do? One strategy is to manage and reward employees differently depending on their office location; however, this can lead to administrative challenges and employee concerns about fairness. Another is to adopt across the organization a uniform set of practices and benefits that comply with the most progressive of the state and local mandates; but although this could be administratively simpler and perceived as more equitable, it could also necessitate frequent changes to organizational policies as new and ever more generous state and local minimums are enacted.

Add to the complexity those situations where local, state or federal regulations are in stark conflict, and compliance with one exposes an organization to liability based on another. This conflict is very real for some employers, as articulated by a 2013 letter to the U.S. Equal Employment Opportunity Commission (EEOC) signed by nine state attorneys general. This letter noted the Catch-22 that the EEOC’s enforcement guidance on the use of criminal background checks in hiring causes for many employers: if an employer complies with a state law that requires the exclusion of all job candidates with certain criminal convictions (such as when hiring in certain medical or legal jobs, child care centers), such employ-

ers that apply the state-mandated rule may face EEOC allegations of race or ethnicity discrimination under a disparate impact theory of federal law. Unfortunately, the EEOC's response to the attorneys general did not help resolve this regulatory conflict for employers, although it implied that federal law very well may trump—sometimes.

New Sources of Regulation

Of course, HR professionals in those organizations that operate both in the U.S. and abroad are increasingly facing compliance challenges from global sources and in some cases are dealing with regulatory issues that have not traditionally been a core component of HR's portfolio. One case in point: global data privacy laws.

Often considered an issue under the auspices of security, IT, marketing or other business compliance functions, data privacy laws such as those from the European Union have dramatic implications for HR as well. Under the EU Directive on Data Protection, organizations generally cannot send personal data—for example, employee information—from a location in Europe to other countries that do not have comparable privacy protections, such as the United States.

There are a handful of exceptions to this cross-border ban on information sharing. But absent such an exception, the impact of these rules is that a manager in a company's Paris office may not be able to enter employee data into an organizationwide HRIS system or relay employee health information by phone to his or her HR business partner in Chicago. As one can imagine, this can lead to incredible challenges in managing a global workforce.

It is critical that HR professionals understand, communicate and collaborate with stakeholders and leaders across the business regarding the impact of global regulations like these on their organization's operations and the ability to source, reward and manage a global workforce.

Uncharted Regulatory Waters: The Uber Effect

In 2014, the SHRM Foundation's and Economist Intelligence Unit's report titled *Evolution of Work and the Worker* identified an emerging trend that perhaps poses the biggest challenge yet to the current employment regulatory model: crowdsourcing. Described by the SHRM Foundation and EIU as “enlisting the sporadic services of a large number of people, either paid or unpaid, typically via the internet,” crowdsourcing enables organizations to remotely tap into a global network of skilled or unskilled workers via technology, pay them (or not) based on the tasks performed or skills required, and use their services on an as-needed, on-call basis. In turn, these often-anonymous contributors often provide their own equipment; work if, when and where they want; work for as many organizations as they wish; and avoid the headaches of a daily commute.

What remains to be seen is how the traditional regulatory strictures, built for 1930s to 1960s brick-and-mortar-based workforces, will react to this radically new approach to how work is performed—particularly if implemented on a large scale. Are individuals who perform tasks or create works employees, independent contractors or volunteers? Do the plethora of global, federal, state and local workforce protections apply to them? Are they entitled to overtime or benefits?

Some of these questions are front and center in a handful of court cases now pending in U.S. federal and state courts involving drivers for ridesharing services Uber and Lyft. Under these services, drivers can choose when and how much they work, fitting the work into their schedule and earning a bit of extra income as needed. In these lawsuits, however, drivers have alleged that under traditional wage and hour laws, they are entitled to tips, minimum wages, expense reimbursement or other legal workplace protections that traditional employees receive. The outcome, of course, will depend on whether individuals who provide crowdsourced services are found to be “employees” at all—particularly in extreme crowdsourcing situations where a contributor may work for dozens of different organizations in the same day or week.

The answer is yet to be decided and will depend heavily on the facts of the arrangement at issue. However, the court in one of these cases has already acknowledged the incredible challenge in applying

an outmoded regulatory scheme to this emerging employment model: “[T]he jury in this case will be handed a square peg and asked to choose between two round holes. The test the...courts have developed over the 20th Century for classifying workers isn’t very helpful in addressing this 21st Century problem....Or perhaps the Lyft drivers should be considered a new category of worker altogether, requiring a different set of protections. But absent legislative intervention, California’s outmoded test for classifying workers will apply in cases like this. And because the test provides nothing remotely close to a clear answer, it will often be for juries to decide.” (*Cotter v. Lyft, Inc.*, 60 F. Supp. 3d 1067, 1081-82 (N.D. Cal. 2015).)

Let’s hope that there are HR professionals on those juries to help navigate these issues.

Don’t Fear Prudent HR Risks

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“It seems to be a law of nature, inflexible and inexorable, that those who will not risk cannot win.”

—John Paul Jones

Paradoxically, one of the unfortunate byproducts of employment downsizing—a phenomenon that seems to continue unabated in both good and bad economic times—is that surviving employees become narrow-minded, risk-averse and self-absorbed. This happens at the very time when organizations need their employees to take risks in order to develop new products and services, to penetrate new markets, and to serve their customers better. Yet the term “risk” has come to imply a bad outcome. It may be more prudent, however, to rethink the concept of risk in light of two other considerations: uncertainty and opportunity.

Uncertainty is the degree to which we are unsure about whether an outcome will occur and its consequences, good or bad. Risk refers to an undesirable outcome and its consequences. Finally, opportunity refers to a desirable outcome and its consequences. A prudent approach to human capital risk requires carefully distinguishing these three ideas. Uncertainty is not necessarily a bad thing, but it depends on the balance between downside risk and upside opportunity.

HR Strategy and the Two Faces of Risk

HR strategy refers to the processes, decisions and choices organizations make regarding how they manage their people. Indeed, a firm’s competitive strategy and its HR strategy are interdependent.⁹⁰ Both require a prudent and balanced approach to risk. HR strategy must optimally balance risk-taking and risk-mitigation, in line with an organization’s competitive strategy and the role of human capital within that strategy. HR strategy requires a focus on planned major changes in an organization and on critical issues such as the following:

- What are the HR implications of our proposed organizational strategy?
- What are some possible external constraints and requirements?
- What are the implications for management practices, management development and management succession?
- What can be done in the short term to prepare for longer-term needs?

The Chinese characters for “risk” depict “danger” and also “opportunity.” We might call these the two faces of risk. Human capital risks reflect the uncertainty arising from changes in a wide range of workforce and people-management issues that affect a company’s ability to meet its strategic and operating

objectives. They include issues such as talent management and succession planning, ethics and tone at the top, regulatory compliance, pay and performance alignment, and employee training and development. The global accounting firm Ernst & Young described four broad categories of such risks—strategic, operational, compliance and financial—and characterized HR risks as “one of the key business risks of our time.”⁹¹ To date, the dominant approach to such risks has focused on risk mitigation (emphasizing danger), not risk optimization (emphasizing opportunity). HR practitioners and academics have generally not adopted systematic approaches to optimizing human capital risks. Consider five key HR risks that many organizations face:

- What is the risk that we do not attract or retain the right talent to achieve our strategic targets?
- What are the underlying assumptions about human capital in our business forecasts (are we assuming adequate internal and external supplies)?
- What is the risk that our company culture does not support our strategic intent?
- Which HR policies, programs and practices pose potential risks? How do we manage them?
- How do we ensure that assessing and managing human capital risk is not an HR-only exercise?

Prudent HR Risk Taking: An Example

What might prudent HR risk taking look like? Workforce analytics can help. Workforce analytics is fact-based decision-making. As an example, consider global engineering company CH2M Hill, headquartered in Denver, Colo. The company was facing an increasing voluntary employee turnover rate, especially among female engineers, and it needed to identify the causes and consequences to operations in different parts of the world.

It began by “crowdsourcing” ideas from its current cadre of managers and nonmanagers about why people leave the company. It generated 78 possible hypotheses, and narrowed that list to 30 hypotheses based on the availability of data, the integrity of the data generated, and the ability to generate actions based on evidence-based findings. The master data file contained 472 variables of interest. Using logistic regression (where the dependent variable is binary in nature, such as “stay” versus “leave”), the company identified seven variables that predicted the likelihood that an engineer would leave, with a corrected R2 value of 0.34 that yielded an 80% hit rate on classifying retentions and a 60% hit rate on classifying resignations. The model was derived on the basis of data from 2012, tested on data from 2011 and validated on data from 2013. For proprietary reasons, the company does not disclose the actual seven items in its prediction model.

In using its prediction model, CH2M Hill generated “risk-retention” scores by geography and used “heat mapping” to show results graphically. It then prioritized retention risks by business groups, critical job families, demographic categories and years of service. It also used “what-if” simulations as an aid in annual merit-raise planning. The company was able to generate a “risk-retention” score for each employee and to subdivide the overall employee population by geographic region, country, critical job family, gender, age, ethnicity, job-performance category and pay-grade band. This powerful model allowed CH2M Hill to manage voluntary turnover more strategically and to give managers an “early-warning” system that might allow them to take actions in a timely manner to prevent some of the voluntary turnover from ever occurring. Of course, the company could have done nothing and simply accepted its voluntary employee turnover rate as “industry average” and a cost of doing business. It would have risked—and gained—nothing.

In managing employee turnover strategically, consider three kinds of circumstances where it might make sense to increase employee turnover: (1) the fully loaded costs (separation, replacement and training) of employee turnover are low, and reducing turnover saves little; (2) those leaving are much less valuable than their replacements; and (3) there is certainty about the availability or quality of the replacements. Sometimes one or more of these considerations outweigh others. For example, during the Great Recession as many as 70% of the firms that were laying off employees also added new ones in the same year! They did so because even though the direct costs of downsizing are high (as much as \$100,000 per high-tech worker in the U.S. and Europe), those leaving were seen as less valuable than their replacements, because the replacements possessed skills that organizations would need going

forward to execute their business strategies. In short, organizations ushered out the back door employees with yesterday's skills, while at the same time welcoming in the front door those with tomorrow's skills.

Conversely, it makes sense to decrease the costs of employee turnover under the following three conditions: (1) when the fully loaded costs (separation, replacement and training) of employee turnover are high, and reducing turnover (particularly in mission-critical positions) can save those costs; (2) those leaving are much more valuable than their replacements; and (3) there is considerable uncertainty about the availability or quality of replacements.

Getting Started: An Action Plan

As a simple framework that might help HR professionals get started in this area, consider identifying and then prioritizing each HR risk that your organization might face. To do this, consider just two dimensions, likelihood and impact. Describe each of these dimensions in terms of a three- or five-point Likert-type scale. Next, with respect to each potential HR risk that you have identified, answer the following questions:

1. Is it relevant to your organization?
2. Might it have a material impact on your organization?
3. If relevant and material, is it an enduring risk?
4. If relevant, material and enduring, is it addressable?

Here is the message to convey to decision-makers: Focus where it matters most!

Got Skills? Closing the Gap on Opportunity and Prosperity

Eva Sage-Gavin, Vice-Chair, Aspen Institute's Skills for America's Future Advisory Board



Eva Sage-Gavin is vice chair of the Aspen Institute's Skills for America's Future Advisory Board and a member of the UpSkill America Coalition, working directly with senior White House leaders, community colleges and corporations to build skilled workforces. She also serves as a senior advisor at the Boston Consulting Group, focused on the consumer, technology & media and public sector practice areas. In 2013, she became the first female elected to the board of directors of Sapient, a digital and technology marketing firm and served on its compensation committee through the firm's successful acquisition by Publicis in 2015. Sage-Gavin joined the board of directors of TalentSky, a professional skills networking company in 2015. Previously, she was executive vice president, global human resources and corporate affairs, at Gap Inc.

Skill gaps are a defining factor for business competitiveness, and addressing them aggressively will be a key driver of economic prosperity during the next decade. Although the social and economic forces driving skills shortages are complex and involve many stakeholders, this is an opportunity for leading-edge HR professionals to embrace the challenge and build strong, contemporary and sustainable talent pipelines, rethinking how we define and enable skilled talent pools.

To step up to the challenge, HR professionals first need to understand the inflection points and trends that create and perpetuate skills gaps. Many of the social and technological factors contributing to skills gaps are dynamic and unpredictable, so we must stay attuned to and anticipate trends in fluid, fast-changing business environments. We must be nimble developing and implementing solutions that are integrated and that build a competitive 21st century workforce. This is not a cyclical trend, and we aren't just riding out a short-term phenomenon. In fact, skills challenges are only worsening as the U.S. recovers from the Great Recession and critical roles remain open for long periods, constraining business growth.

Many sectors are experiencing a chronic and nearly crippling lack of qualified applicants. A 2014 Boston Consulting Group study, *The Global Workforce Crisis, \$10 Trillion at Risk*, says "trends across 25 major economies...are alarming: an equilibrium between supply and demand is rapidly becoming the exception, not the norm. Between 2020 and 2030 we project significant worldwide labor force imbalances-shortfalls in particular. One significant implication is the potential aggregate value of GDP squandered, because either these nations cannot fill the jobs available or they cannot create enough jobs for

the workers they have.”⁹² A 2014 Accenture study showed that 39% of manufacturers reported a severe lack of skilled applicants and 40% reported a moderate lack. The skills challenge is even more acute for positions requiring highly skilled workers, where 60% of manufacturers reported a severe shortage of qualified applicants.⁹³

And the problem is not isolated. In a review of 20 employer surveys from the past two years, Skills for America’s Future (an initiative of the Aspen Institute) found that approximately one-half of all employers reported having difficulty finding the skills they need.⁹⁴

Furthermore, virtually every industry and employer are vulnerable to skills challenges. Among many factors, the unprecedented pace of technological change has demonstrated that any industry can be impacted by disruption and that automation is a critical contributing factor. According to the U.S. Bureau of Labor Statistics, 25% of all tasks will be automated through robotics by 2025. It is difficult, if not impossible, to predict what jobs will remain and what new jobs will be needed in a decade, or even five years from now. In addition, we’re seeing huge strides in human and machine collaboration, with tasks previously performed by humans being assumed by smart computing. Changes driven by technology have significant implications for the future of the workplace, and the jobs that remain will leverage human qualities and skills that can’t be automated but must be educated.

A Changing Workforce

The very definition of “employee” is undergoing reinvention as many business models shift away from the traditional 9-to-5 salaried office worker to tap into increasingly virtual and a transient freelance talent pools of skills, interconnected with mobile technology and available anytime anywhere. The shortage of highly skilled workers is a global challenge, and in sectors where workers are in high demand, competition to attract and engage needed talent is fierce. At the same time, those high-demand sectors such as software, media and innovation are increasingly seeing work and workers migrate into an ecosystem that extends beyond traditional employment. It is estimated that in some industries over half of the workforce may be composed of freelance workers by 2025. The implications of this “beyond employment” ecosystem have been called out by Professor John Boudreau of USC’s Marshall School of Business in his recent publications and a book *Lead the Work* with Ravin Jesuthasan and David Creelman.⁹⁵ They describe how this emerging ecosystem presents pivotal opportunities and challenges in addressing future skill gaps.

Due to longer life expectancy we now have four generations in the workforce, with the newest entrants including Millennials who have high expectations for meaningful personal and work lives, and more frequent job changes. As a result, the concept of “workplace” is radically changing, and innovative and agile practices are needed to effectively respond. According to a recent survey of employers conducted by the HR Policy Foundation, 85% of employers stated that they have changed company policies and programs to appeal to Millennials.⁹⁶

Challenging Our Traditional Approaches

With these challenges, sustainable solutions require creative adaptations from both leaders and individuals, including new ways of thinking about lifelong learning and leadership. Every day we see new approaches from adaptive leaders who seek to attract pools of skilled talent by fostering impactful, purpose-driven organizations. This new breed of leaders invite engagement and are more interested in creating “followership” and project-based collaborations that assemble and adjust to shifting market needs, than hierarchical command and control structures.

We are at an exciting and significant turning point in history and can shape a strategic view of workforce development, where it is critical to business success to invest in skills and knowledge that are in high demand and transferrable across roles, industries and geographies. Closing skill gaps can be accelerated by reinventing policies and practices more suited to the unique characteristics of a 21st century workforce and activating the global agility required to compete. We must invest at multiple levels, from entry level and frontline workers to seasoned professionals, paving the way for better job progression and better pay. And in addition to training, individuals often need complementary scheduling flexibility

and stability—and related support—to allow them to succeed in their pursuit of additional training, higher education and career advancement. We need to cultivate strong partnerships with education partners in order to establish sustainable and collaborative pathways for talent development.

Talent is our most precious resource. Investing in individuals as appreciating assets with renewable and sustainable capabilities is how we innovate, grow our economy and stay competitive.

New Partnerships to Drive Talent

In 2011, in my previous role as chief HR officer and head of corporate affairs for Gap Inc., we launched Gap Inc. for Community Colleges in partnership with seven community colleges to support skill development and opportunity for students. Our store managers took Gap Inc.'s internal training programs to partner schools and delivered training modules important to all students, inclusive of all career paths. The program included effective interview techniques, job search, conflict resolution, time management and communications skill development. Gap also offered job shadowing in the workplace and provided student scholarships. The outcomes were so successful that the program has expanded nationally and has now scaled to 26 partnerships across the nation.

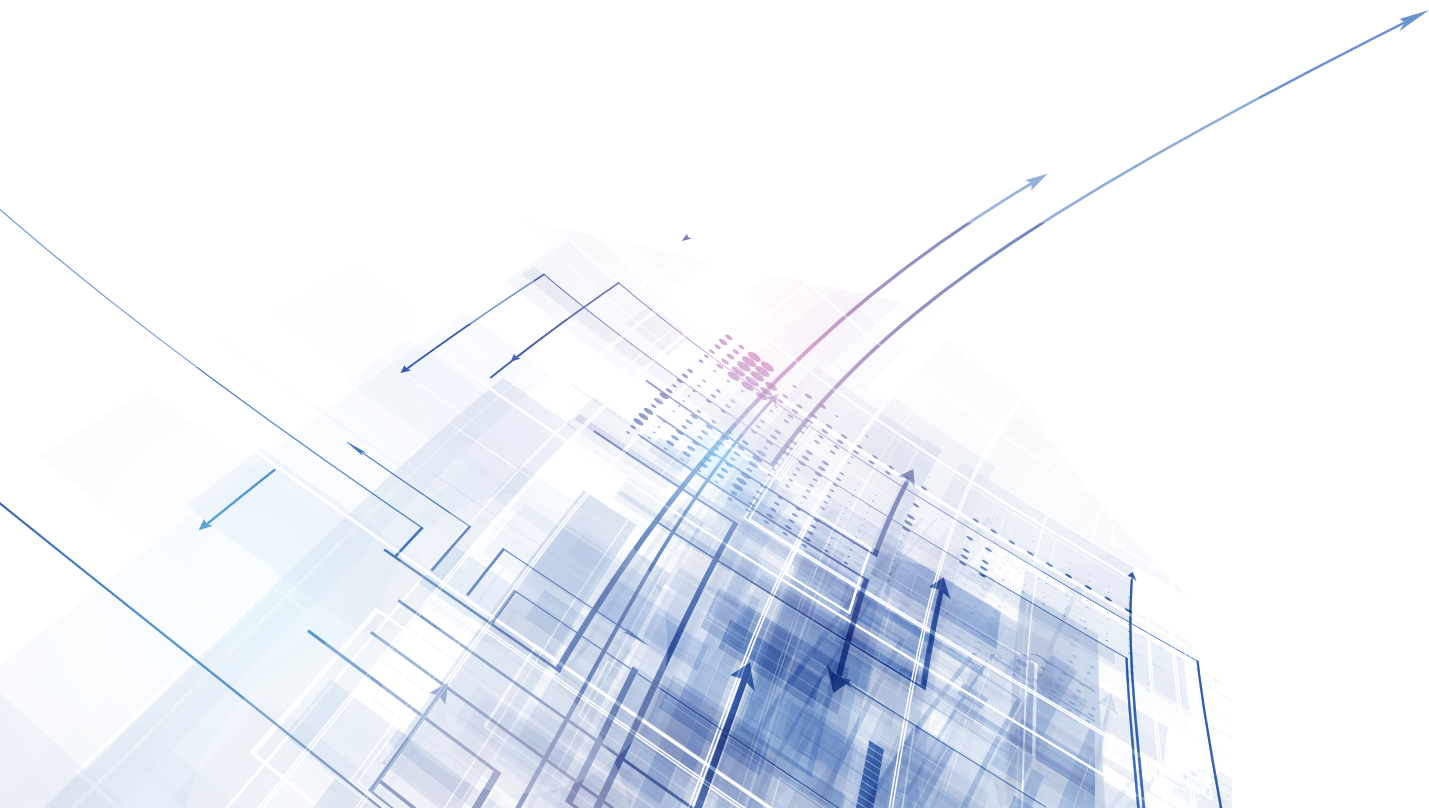
What started as a knowledge transfer and training program has quickly evolved into a powerful recruitment strategy and has the capability to be a long-term talent pipeline. It has also strengthened Gap's connections to the community, enhanced employee engagement and created career-growth opportunities.

These collaborative efforts are emerging nationally, and whatever skills challenges organizations may face, a good place to look for models, inspiration and an employer guide to upskilling America's front workers is UpSkill America. This is an employer-led movement that launched in 2015 in collaboration with public and private partners and is focused on expanding economic opportunity for American workers. At a White House Summit on Upskilling in April 2015, more than 100 employers from across sectors joined the national movement to invest in American workers and pledged to provide expanded career opportunities for their employees—whether they have 50,000 or 15.

Companies ranging from large employers like IBM and CVS to smaller companies like the 200-employee Optimax in Rochester, New York, have committed to launching or expanding apprenticeships in industries ranging from health care to information technology. For example, Optimax, which builds custom optics for the aerospace and defense industries, is creating a new registered apprenticeship program to train frontline workers in the sophisticated technology used to create their precision optics. This apprenticeship program is supported by the company's 100% community college tuition reimbursement program and will provide a pool of needed skilled technicians who can operate cutting-edge machinery. As employees attain higher skills, the opportunities within the company for both wage growth and promotion increase.

New forces of change globally have created this transformational moment, economically and societally, for a collaboration of enlightened business leaders and HR professionals to join forces and reimagine the fundamental concepts of work and talent in our 21st century workforce. We have the opportunity to reinvent the future of work and business competitiveness—or be outpaced by those who do. Skilled labor shortages are real and will continue to constrain business success if not creatively addressed. By working together in newly evolving public and private partnerships, we can truly shape the workplace of the future and increase individual and organization economic opportunity and prosperity.

Conclusion



Today's most important human capital challenges involve retention, engagement and providing strong benefits and compensation. There appears to be optimism that at least some of these key human capital challenges will be more manageable in the future. At most organizations, both HR and non-HR C-suite executives view HR as having a strategic role and are currently planning to make changes to their HR function to make it even more strategic and measurement-driven in the years to come.

Although HR professionals are currently focused on maintaining high levels of employee engagement, this emphasis is poised to shift to developing the next generation of organizational leaders in the future. Obtaining human capital is and will remain an important financial challenge, along with compliance with laws, rules and regulations, resource allocation, and responding effectively to market volatility overall.

The tactics HR professionals are using to meet their human capital challenges include creating an organizational culture where trust, open communication and fairness are emphasized and demonstrated by leaders, providing employees with opportunities for career advancement, and demonstrating a commitment to professional development. Providing flexible work arrangements looks set to be an important tactic to attract and retain talent in the years ahead. To meet the challenges identified, many organizations will also experiment with the use of different, less traditional employment models in the future.

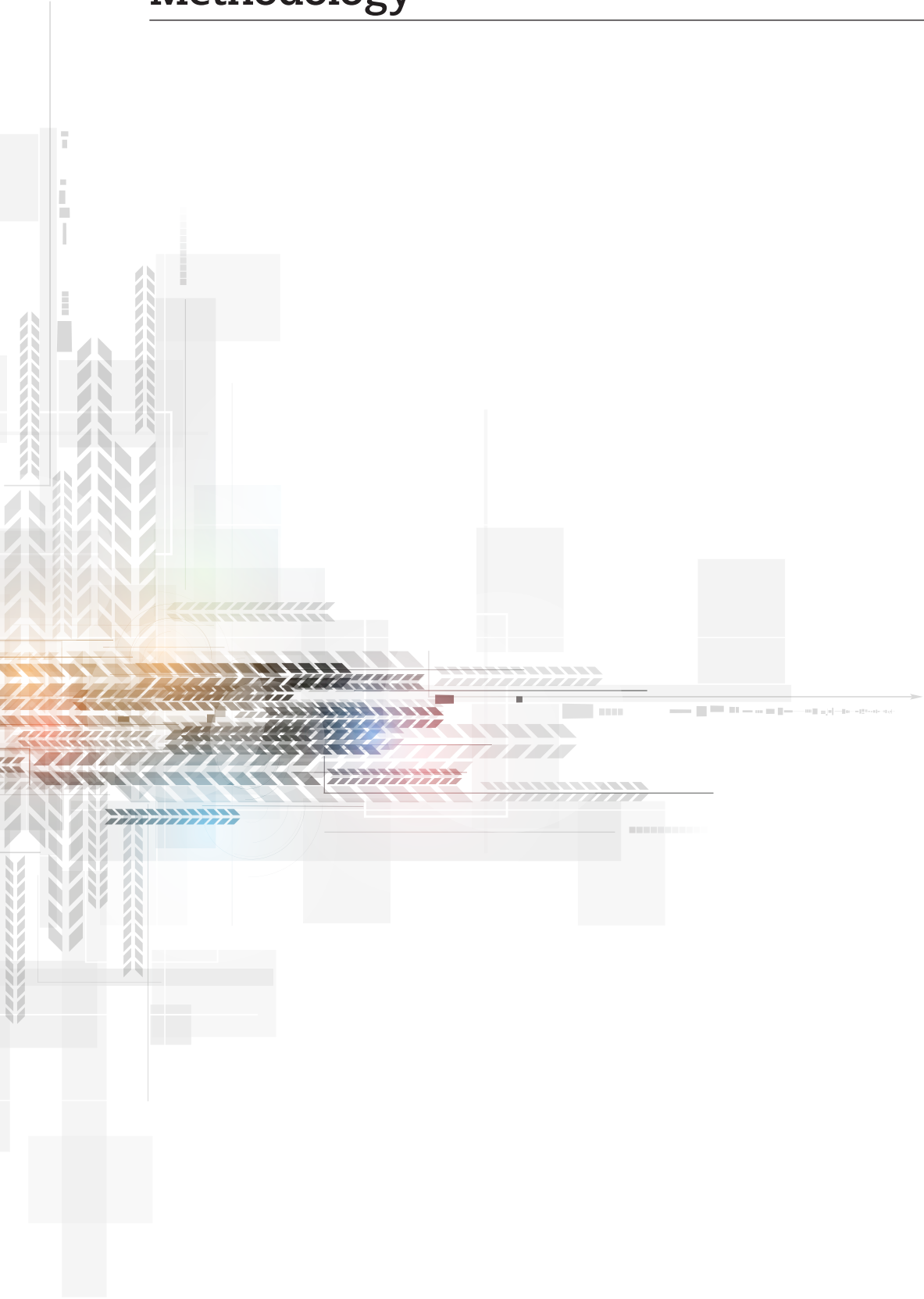
HR professionals and non-HR C-suite executives agree on many of the human capital, HR function and financial

challenges their organizations must confront now and in the future. However, the findings from these surveys suggest that, compared with non-HR C-suite executives, HR professionals may see many of these issues as more urgent. This difference is probably owing to HR professionals' day-to-day focus and expertise related to human capital issues and represents an opportunity for HR professionals to make the case to their organizational leadership to dedicate more time and attention to the challenges these issues involve.

The challenges outlined by both groups are numerous and varied, but the survey findings indicate that non-HR C-suite executives and HR professionals share many views about priorities and strategies, making it more likely that they will be able to work effectively together to find solutions. Through building their own HR competencies and continuing to communicate the need for greater focus on and investment into human capital issues, HR professionals appear to be well positioned to work with their organizations' non-HR C-suite and other senior executives to successfully meet the challenges their organizations face today and in the years ahead.

The survey findings indicate that non-HR C-suite executives and HR professionals share many views about priorities and strategies, making it more likely that they will be able to work effectively together to find solutions.

Methodology



Survey of HR Professionals

A sample of HR professionals was randomly selected from SHRM's membership database, which included approximately 275,000 individual members at the time the survey was conducted. Only members who had not participated in a SHRM survey or poll in the last six months were included in the sampling frame. Members who were students, located internationally or had no e-mail address on file were excluded from the sampling frame. In December 2014, an e-mail that included a hyperlink to the Human Capital Challenges Survey was sent to 3,000 randomly selected SHRM members. Of those, 439 responses were received, yielding a response rate of 15% and a margin of error of +/-5%. The survey was accessible until mid-January 2015. Multiple reminders were sent to nonrespondents, and incentives were offered in an effort to increase response rates.

TABLE 15

Organizational Demographics: HR Professionals

		n	%
Does your organization have U.S.-based operations (i.e., business units) only or does it operate multinationally?	U.S.-based operations only	228	69%
	Multinational operations	101	31%
	Total	329	
In the U.S., is your organization a single-unit organization or a multi-unit organization?	Single-unit organization	95	29%
	Multi-unit organization	232	71%
	Total	327	
For multi-unit organizations, are HR policies and practices determined by the multi-unit headquarters, by each work location or both?	Multi-unit headquarters	106	46%
	Each work location	9	4%
	A combination of both	116	50%
	Total	231	
Please check the level of HR department/function for which you responded throughout this survey	Corporate (companywide)	161	70%
	Business unit/division	40	17%
	Facility/location	30	13%
	Total	231	
Organization staff size	1 to 99 employees	76	24%
	100 to 499 employees	102	32%
	500 to 2,499 employees	64	20%
	2,500 to 24,999 employees	49	15%
	25,000 or more employees	27	8%
	Total	318	
Organization sector	Publicly owned for-profit	57	18%
	Privately owned for-profit	172	55%
	Nonprofit	54	17%
	Government	28	9%
	Other	2	1%
	Total	313	
Region	Northeast	48	16%
	South	106	36%
	Midwest	78	27%
	West	60	21%
	Total	292	

Note: Percentages may not equal 100% due to rounding.

TABLE 16

Industry Demographics: HR Professionals

	n	%
Organization industry		
Manufacturing	78	25%
Professional, scientific and technical services	48	16%
Educational services	38	12%
Health care and social assistance	35	11%
Government agencies	26	8%
Finance and insurance	24	8%
Transportation and warehousing	18	6%
Construction	14	5%
Retail trade	13	4%
Utilities	11	4%
Accommodation and food services	10	3%
Repair and maintenance	10	3%
Administrative and support and waste management and remediation services	9	3%
Wholesale trade	8	3%
Mining, quarrying, and oil and gas extraction	6	2%
Religious, grant-making, civic, professional and similar organizations	6	2%
Arts, entertainment, and recreation	5	2%
Information	5	2%
Real estate and rental and leasing	4	1%
Personal and laundry services	2	<1%
Agriculture, forestry, fishing and hunting	1	0%
Other industry	27	9%
Total	308	

Note: Percentages do not equal 100% due to multiple response options.

Survey of Non-HR C-suite Executives

The sample for the survey of non-HR C-suite executives was obtained using an outside survey research organization's web-enabled panel. Overall, 485 non-HR C-suite executives at U.S. organizations with 100 or more employees participated in this survey in January 2015, yielding a response rate of 11% and a margin of error of +/-5%.

TABLE 17

Organizational Demographics: Non-HR C-suite Executives

		n	%
Does your organization have U.S.-based operations (i.e., business units) only or does it operate multinationally?	U.S.-based operations only	290	60%
	Multinational operations	195	40%
	Total	485	
In the U.S., is your organization a single-unit organization or a multi-unit organization?	Multi-unit organization	357	74%
	Single-unit organization	128	26%
	Total	485	
For multi-unit organizations, are HR policies and practices determined by the multi-unit headquarters, by each work location or both?	Multi-unit corporate headquarters	221	60%
	A combination of both	128	35%
	Each work location	21	6%
	Total	370	
Organization staff size	100 to 499 employees	189	39%
	500 to 2,499 employees	125	26%
	2,500 to 24,999 employees	126	26%
	25,000 or more employees	45	9%
	Total	485	
Organization sector	Privately owned for-profit	229	47%
	Publicly owned for-profit	156	32%
	Nonprofit/not-for-profit organization	64	13%
	Government agency	33	7%
	Other	3	1%
Total	485		
Region	Northeast	139	29%
	South	132	27%
	West	113	23%
	Midwest	101	21%
	Total	485	
Approximately what percentage of your organization's workforce was unionized in 2014?	0%	325	67%
	1-25%	77	16%
	26-50%	32	7%
	51-75%	25	5%
	76% or more	26	5%
	Total	485	

Note: Percentages may not equal 100% due to rounding.

TABLE 18

Individual and HR Demographics: Non-HR C-suite Executive

		n	%
What is your job title?	President, CEO, chair, partner or principal	111	23%
	Senior vice president or executive vice president	110	23%
	Chief financial officer	97	20%
	Chief technology officer	75	15%
	Chief operating officer	47	10%
	Other C-suite executive	45	9%
	Total	485	
Which of the following best describes your current department or business unit?	Executive	226	47%
	Finance	106	22%
	IT	102	21%
	Other	51	11%
	Total	485	
Does the most senior HR executive in your organization:	Report directly to you	203	42%
	Sit at a peer level to you	200	41%
	Report at a lower level than you	71	15%
	Not applicable; HR function is outsourced	11	2%
	Total	485	
To whom does the most senior HR executive report in your organization?	President, CEO, chair, partner or principal	217	45%
	Chief operating officer	103	21%
	Chief financial officer	69	14%
	Senior vice president or executive vice president	36	7%
	Chief technology officer	35	7%
	Other C-suite executive	21	4%
	Chief marketing officer	3	1%
	Other	1	<1%
Total	485		
What is the title of the most senior HR executive in your organization?	Director of human resources	123	26%
	Chief human resources officer (CHRO)	98	21%
	Human resources senior vice president (HR SVP)	81	17%
	Human resources vice president (HR VP)	51	11%
	Chief administrative officer	48	10%
	Chief human capital officer (CHCO)	22	5%
	Senior vice president administrative officer	21	4%
	Other	30	6%
	Total	474	
Please indicate if your organization has a centralized or decentralized HR department	Centralized HR department	348	73%
	Mix of both	79	17%
	Decentralized HR department	47	10%
	Total	474	

Note: Percentages may not equal 100% due to rounding.

Notations

Differences: Conventional statistical methods were used to determine if observed differences were statistically significant by organization size and organization sector (i.e., there is a small likelihood that the differences occurred by chance). Therefore, in these cases, only results that were statistically significant are discussed, unless otherwise noted. The tables showing significant differences are in the appendix of the report. In some cases, data may be discussed in the text of this report but not presented in an accompanying figure or table.

Tables: Unless otherwise reported in a specific table, please note that the following are applicable to data depicted in tables throughout this report.

- In tables with multiple columns, data are sorted in descending order by the first percentage column in a table.
- In tables that show the differences in percentage points, differences that are 5% and above are highlighted in green and differences that are -5% or below are highlighted in red.

Generalization of results: As with any research, readers should exercise caution when generalizing results and take individual circumstances and experiences into consideration when making decisions based on these data. While SHRM is confident in its research, it is prudent to understand that the results presented in this survey report are only truly representative of the sample of HR professionals or non-HR C-suite executives responding to the survey.

Number of respondents: The number of respondents (indicated by “n” in figures and tables) varies from table to table and figure to figure because this research was conducted with two separate samples (HR professionals and non-HR C-suite executives) and because some respondents did not answer all of the questions. Individuals may not have responded to a question on the survey because the question or some of its parts were not applicable or because the requested data were unavailable. This also accounts for the varying number of responses within each table or figure.

Confidence level and margin of error: A confidence level and margin of error give readers some measure of how much they can rely on survey responses to represent all SHRM members or non-HR C-suite executives at U.S. organizations with 100 or more employees. Given the level of response to the survey, SHRM Research is 95% confident that responses given by responding HR professionals can be applied to all SHRM members and responses given by responding non-HR C-suite executives can be applied to all senior executives at U.S. organizations with 100 or more employees, in general, with a margin of error of approximately 5%. For example, 38% of HR professionals reported that maintaining high levels of employee engagement was one of their organization’s greatest

human capital challenges. With a 5% margin of error, the reader can be 95% certain that between 33% and 43% of SHRM members would report that maintaining high levels of employee engagement was one of their organization’s greatest human capital challenges. Note that the margin of error is calculated based on the overall sample size of the survey, not for each question, as a general practice.

Appendix

TABLE 19

Current Human Capital Challenges According to HR Professionals: Comparisons by Organization Sector

Currently	Publicly Owned For-Profit	Privately Owned For-Profit	Nonprofit	Government
Managing the loss of key workers and their skill sets due to retirement		13%		36%
Finding the right employees in the right markets around the world	14%	5%		
Breaking down cultural barriers that make it difficult to create a global company	16%	4%	2%	

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 20

Future Human Capital Challenges According to HR Professionals: Comparisons by Organization Sector

Next 10 Years	Publicly Owned For-Profit	Privately Owned For-Profit	Nonprofit	Government
Finding employees with increasingly specialized skills		26%	4%	
Breaking down cultural barriers that make it difficult to create a global company	14%	4%		

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 21

Current HR Function Challenges According to HR Professionals: Comparisons by Organization Staff Size

Currently	1 to 99 Employees	100 to 499 Employees	500 to 2,499 Employees	2,500 to 24,999 Employees	25,000 or More Employees
Attracting highly competent HR professionals that fit with your organization's HR strategy	6%			32%	33%
Moving HR from a transactional to transformational role within the organization	32%				67%

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 22

Future HR Function Challenges According to HR Professionals: Comparisons by Organization Staff Size

Next 10 Years	1 to 99 Employees	100 to 499 Employees	500 to 2,499 Employees	2,500 to 24,999 Employees	25,000 or More Employees
Moving HR from a transactional to transformational role within the organization	30%			58%	19%

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 23

Future Financial Challenges According to HR Professionals: Comparisons by Organization Sector

Next 10 Years	Publicly Owned For-Profit	Privately Owned For-Profit	Nonprofit	Government
Responding effectively to market volatility overall	43%	37%	12%	7%
Maximizing financial capital	7%		32%	

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 24

Future Financial Challenges According to HR Professionals: Comparisons by Organization Staff Size

Next 10 Years	1 to 99 Employees	100 to 499 Employees	500 to 2,499 Employees	2,500 to 24,999 Employees	25,000 or More Employees
Protecting intellectual capital—defined as informational assets such as data, patents, process documentation, etc.	5%				30%

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 25

Change in Size of Workforce According to HR Professionals: Comparisons by Organization Staff Size

Next 10 Years	1 to 99 Employees	100 to 499 Employees	500 to 2,499 Employees	2,500 to 24,999 Employees	25,000 or More Employees
Larger workforce				73%	41%

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 26

Future Changes in Employment Status According to HR Professionals: Comparisons by Organization Sector

Next 10 Years Employment Status	Publicly Owned For-Profit	Privately Owned For-Profit	Nonprofit	Government
Increase in the number of regular full-time employees		72%	48%	41%
Decrease in the number of regular full-time employees		9%	27%	
No change in the number of regular part-time employees		46%		17%

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 27

Key Actions Organizations Are Currently Taking to Make HR More Strategic According to HR Professionals: Comparisons by Organization Sector

Currently	Publicly Owned For-Profit	Privately Owned For-Profit	Nonprofit	Government
Move strategic HR functions to business units (e.g., moving toward a business-partner model)	33%	11%		
Engage in assessing the effectiveness of the overall HR function as seen by HR and its stakeholders		10%		32%

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 28

Future Actions Organizations Will Take to Make HR More Strategic According to HR Professionals: Comparisons by Organization Sector

Next 10 Years	Publicly Owned For-Profit	Privately Owned For-Profit	Nonprofit	Government
Hold HR accountable for providing innovative solutions and programs	31%			4%
Develop a global perspective that values and considers the perspectives and backgrounds of stakeholders around the world	17%	4%		

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 29

Key Actions Organizations Are Taking to Make HR More Strategic According to HR Professionals: Comparisons by Organization Staff Size

Currently	1 to 99 Employees	100 to 499 Employees	500 to 2,499 Employees	2,500 to 24,999 Employees	25,000 or More Employees
Move strategic HR functions to business units (e.g., moving toward a business-partner model)	10%	10%			39%

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 30

Future Competencies Most Critical for the HR Profession According to HR Professionals: Comparisons by Organization Sector

10 Years from Now	Publicly Owned For-Profit	Privately Owned For-Profit	Nonprofit	Government
Global and Cultural Effectiveness: The ability to value and consider the perspectives and backgrounds of all parties	30%	9%		

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 31

The Current Most Important Components of the Business Acumen HR Competency According to HR Professionals: Comparisons by Organization Sector

Currently	Publicly Owned For-Profit	Privately Owned For-Profit	Nonprofit	Government
Knowledge of government and regulatory guidelines	35%	39%		70%
Business knowledge	48%			15%
Effective administration	11%	33%		
Strategic agility	39%		13%	
Systems thinking	9%	8%		33%

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 32

The Future Most Important Components of the Business Acumen HR Competency According to HR Professionals: Comparisons by Organization Sector

10 Years from Now	Publicly Owned For-Profit	Privately Owned For-Profit	Nonprofit	Government
Business knowledge	45%	39%		7%
Systems thinking		10%		33%

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 33

The Current Importance of Bodies of Knowledge According to HR Professionals: Comparisons by Organization Sector

Currently	Publicly Owned For-Profit	Privately Owned For-Profit	Nonprofit	Government
Human resource development	7.29	8.21		

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 34

The Future Importance of Bodies of Knowledge According to HR Professionals: Comparisons by Organization Sector

10 Years from Now	Publicly Owned For-Profit	Privately Owned For-Profit	Nonprofit	Government
Global and international human resources	7.74		5.50	

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 35

The Current Importance of Bodies of Knowledge According to HR Professionals: Comparisons by Organization Staff Size

Currently	1 to 99 Employees	100 to 499 Employees	500 to 2,499 Employees	2,500 to 24,999 Employees	25,000 or More Employees
Employee and labor relations			8.97	9.20	7.54
Talent management	8.66	7.91		8.90	

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 36

Changes Organizations Plan to Make to their HR Function According to Non-HR C-suite Executives:
Comparisons by Organization Sector

	Publicly Owned For-Profit	Privately Owned For-Profit	Nonprofit	Government
Outsourcing more transactional HR tasks		29%	13%	
No, we are not planning to make any of these changes	23%	26%		55%

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 37

Key Actions Organizations Should Take in the Future to Make Their HR Function More Strategic According to Non-HR C-suite Executives: Comparisons by Organization Sector

Next 10 Years	Publicly Owned For-Profit	Privately Owned For-Profit	Nonprofit	Government
Engage top executives in developing HR strategy		13%		30%
Develop a global perspective that values and considers the perspectives and backgrounds of stakeholders around the world	21%		5%	

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 38

Current Human Capital Challenges According to Non-HR C-suite Executives: Comparisons by Organization Sector

Currently	Publicly Owned For-Profit	Privately Owned For-Profit	Nonprofit	Government
Retaining our highest-performing employees		33%	16%	
Managing change due to shifting business strategies or market volatility	15%		2%	

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 39

Current Greatest Challenges Involving HR Talent According to Non-HR C-suite Executives:
Comparisons by Organization Staff Size

Currently	100 to 499 Employees	500 to 2,499 Employees	2,500 to 24,999 Employees	25,000 or More Employees
Finding HR talent with expertise in global and cultural effectiveness	8%	22%	22%	

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 40

Future Greatest Challenges Involving HR Talent According to Non-HR C-suite Executives: Comparisons by Organization Staff Size

Next 10 Years	100 to 499 Employees	500 to 2,499 Employees	2,500 to 24,999 Employees	25,000 or More Employees
Availability of top HR talent within the organization	11%			29%

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 41

Current Factors that Enable Organizations to Meet their HR-related Challenges According to Non-HR C-suite Executives: Comparisons by Organization Sector

Currently	Publicly Owned For-Profit	Privately Owned For-Profit	Nonprofit	Government
The efficient use of HR information systems/technology	13%			33%
The efficient use of human capital analytics (e.g., turnover, revenue per full-time employee)	21%	9%		

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 42

Financial Challenges According to Non-HR C-suite Executives: Comparisons by Organization Sector

	Publicly Owned For-Profit	Privately Owned For-Profit	Nonprofit	Government
Protecting intellectual capital—defined as informational assets such as data, patents, process documentation, etc.	28%	14%		

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 43

Change in Size of Workforce According to Non-HR C-suite Executives: Comparisons by Organization Sector

	Publicly Owned For-Profit	Privately Owned For-Profit	Nonprofit	Government
Larger workforce	61%	63%		33%

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 44

Current Most Critical Competencies for Senior HR Professionals According to Non-HR C-suite Executives: Comparisons by Organization Sector

Currently	Publicly Owned For-Profit	Privately Owned For-Profit	Nonprofit	Government
Global and Cultural Effectiveness: The ability to value and consider the perspectives and backgrounds of all parties	21%		5%	

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

TABLE 45

Current Most Critical Component of the Business Acumen HR Competency According to Non-HR C-suite Executives: Comparisons by Organization Sector

Currently	Publicly Owned For-Profit	Privately Owned For-Profit	Nonprofit	Government
Business knowledge	32%	30%		3%

Note: Only statistically significant differences are shown. Percentages with green shading are statistically larger than percentages with red shading, within the same row.

Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

Endnotes

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Kari R. Strobel, James N. Kurtessis, Debra J. Cohen, and Alexander Alonso

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