Research Insights

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Accelerating the journey to HR 3.0

Ten ways to transform in a time of upheaval

In collaboration with:

joshbersin academy

IBM **Institute for Business Value**

IBM

How IBM can help

As business and society face unprecedented uncertainty, sustaining communication, collaboration, capacity, and culture within the workforce are required like never before. Organizations must adapt in order to keep employees inspired and enabled and to maintain business continuity. Doing so will require new ways of working and a focus on reskilling the workforce.

IBM is a trusted partner who can provide a unique approach to reinventing your workforce, leveraging AI, employee experience design, and digital technologies to accelerate innovation. We partner with business leaders like you to help enhance employee engagement and productivity, reskill your workforce faster, and reimagine ways of working. For more information visit http://www.ibm.com/talent-management

HR reinvention: The time has come

The Human Resources (HR) profession plays a heroic role in business. As companies deal with issues such as public health, resilience, social unrest, and rapid business transformation, the HR department has become more important than ever.

Historically, HR departments have largely been administrative. They take responsibility for hiring, pay, compliance, and basic job design. Today, however, as we recover from the pandemic, companies need HR to focus on the employee experience and drive reskilling, cultural transformation, and an evolution to new models of work. As our research clearly shows, companies that make this evolution far outperform their peers–especially in this time of business reinvention.

Over the last two years we studied hundreds of global companies, and we found the HR departments fall into three categories. Traditional HR 1.0 departments focus on compliance, administration, and highly efficient service delivery. HR 2.0 teams move toward integrated centers of excellence, and focus on training and empowering business partners to deliver solutions at the point of need. HR 3.0, which only 10 percent of companies have achieved, turns HR into an agile consulting organization, one that not only delivers efficient services, but also practices design thinking to push innovative solutions, cognitive tools, and transparency into the organization.

The exciting thing about our findings is that HR 3.0 is not an idea: it's a reality you can achieve. As you will read in our report, the disciplines of design thinking, the use of highly intelligent cognitive tools, and a focus on transparency, inclusion, and change are all goals you can achieve. And supporting these new disciplines, we identified the need to continuously train and upskill HR itself.

As we recover from the global pandemic, every organization is rethinking work, the way we support our people, the role of technology, and the new role of leadership. HR 3.0 is a goal that every company can achieve, and we are excited to help you get there.

Josh Bersin
Global Industry Analyst
Dean, Josh Bersin Academy

By Amy Wright,
Diane Gherson,
Josh Bersin, and
Janet Mertens

Key takeaways

Humanity at the heart of the Cognitive Enterprise
As exponential technologies, new business models and global disruptions converge to help transform the enterprise, it has become more important than ever to elevate the work and skills of employees and teams.

HR 3.0 is a business imperative
Business executives overwhelmingly agree that HR must be radically redefined. Guiding principles of personalization, skills at the core, data-driven decision-making, transparency and agility are at the core of the journey to HR 3.0.

The best companies are already taking bold steps
Ten action areas in HR emerge as priorities for transformation. Leading companies are outpacing their peers by innovating in all of these areas.

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Introduction

Of all the ramifications of the change rocking the world of business today, the implications for people are arguably the most profound.

It's true that new marketplace realities are forcing businesses to adapt their strategies and business models and continue their digital transformations. Companies are deploying at scale new technologies—especially those called "exponential" because their impact scales so quickly—to make use of the massive volumes of data being produced and captured by devices in an Internet of Things (IoT). Businesses are also using these technologies—especially artificial intelligence (AI) and automation—to build new business platforms and restructure the flow of work across their extended ecosystems.

And, of course, most recently, the global pandemic has drastically accelerated everything, including a massive, unprecedented shift in where work gets done.

But at the heart of all these changes are the people making them, the people charged with implementing them, and the people directly or indirectly affected by them. And with diminished human contact wrought by the pandemic, enterprises now must become inherently humanized, build engagement with remote employees, foster trust in uncertain times and cultivate a resilient, diverse workforce capable of facing whatever the future may hold.

In fact, what enterprises need now is a sustainable workforce. Just as energy sustainability requires shifting from resources that are extracted, used and exhausted to renewable ones, an enterprise cultivates a sustainable workforce by shifting its view of employees from a resource to be tapped as needed to one that is cared for, protected and nourished.

In practice, this means building a workforce that is diverse and inclusive, bringing together individuals with different skills, talents and ideas and giving them room to innovate. It also means providing flexibility in work location—especially in times of disruption from weather events or disease outbreak—while making sure employees have full access to all the tools they need to be productive.

It means that across all work locations, employees feel safe and trust the organization to keep them healthy. In a sense, every company becomes a health company, understanding the best ways to protect employee health, as well as contribute to the health of the community in which the business operates—for many, this means health on a global scale.

According to emerging evidence, this is a critical need, not optional. Our monthly COVID-19 consumer surveys have shown that employees now expect their employers to take an active role in supporting their physical and emotional health, in addition to the skills they need to work in new ways. At the same time, businesses leaders call out organizational complexity, inadequate skills and employee burnout as their biggest hurdles to progress.[1]

But there's a problem. The study finds a significant disconnect between what leaders and employees believe about how effectively companies are addressing these gaps. Seventy-four percent of executives believe they have been helping their employees learn the skills needed to work in a new way. But just 38 percent of employees agree. Eighty percent of employers say that they are supporting the physical and emotional health of their workforce. Just 46 percent of employees say they feel that support.

HR obviously has a mandate here, but also a huge challenge. Enabling a sustainable workforce by building trust and confidence among employees will be critical. How they are treated now will lay the foundations for future perceptions.

7 out of **10**
HR executives say the function is ripe for reinvention

Only
10%
of HR executives are living HR 3.0 today

Talent executives plan to
double
their efforts in the next two years to skill their HR teams in new capabilities

The evolution of the HR operating model

Like most corporate functions, Human Resources has evolved greatly over the past decades to meet the needs of a changing business environment (see Figure 1). In the Industrial era, an operating model now referred to as HR 1.0 saw the function focus on programs and jobs, while organizations typically outsourced payroll and administration systems. CHROs built strong administrative skills in the function and fostered a culture of quality and compliance.

The introduction of the Internet provided new opportunities for integration and globalization not available previously. Driven by this development, the move to HR 2.0 shifted the function to focus on process and headcount, with efficiency seen as the primary goal. The HR 2.0 function relied on an integrated HR model with established, formalized centers of expertise, formalized service delivery teams, and efforts to cross-train and rotate HR professionals around the function.

Now, in a business landscape characterized by near constant disruption, HR 3.0 is the next evolutionary step, representing a major paradigm shift for CHROs and their teams.

The precise definition of this next generation operating model has remained somewhat unclear however, so the IBM Institute for Business Value, in collaboration with Josh Bersin, conducted worldwide research to better understand if talent executives agree on a singular vision of the HR 3.0 operating model, and if so, how they are achieving it.[2] Surveying more than 1500 HR executives from more than a dozen industries, we sought to examine how the evolution of the function is being accelerated in leading companies, which specific factors play a role in the success of HR reinvention, and how the most successful CHROs can provide a roadmap for reinvention.

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Figure 1

The evolution of Human Resources

	Industrial HR 1.0	**Internet** HR 2.0	**Digital** HR 3.0
Key focus	Compliance Administration design Programs and jobs	Process excellence Standardization Self-service Shared services	Employee experience Cognitive Personalized Transparent
Organization	Functions, Service Centers, HR Partners Geographic	COEs, Shared Services, HR Business Partners Mostly globally standardized	Offering Managers, Intelligent Chatbots, Pop up squads, HR Business Partners
Design driven by	Best practice benchmarking	Process experts	Design thinking with users
Decisions driven by	Intuition	Analytics with historical HR data	Actionable insights with predictive AI and rich external/internal data
Key area of measurement	Job evaluation Performance assessment Attrition rates Employee satisfaction	Headcount Competencies Diversity representation Efficiency metrics Employee engagement	Critical Skills Leadership pipeline diversity Inclusion Attrition rate NPS, Pulse surveys

The world's best companies are taking bold steps to accelerate their HR transformation with speed and purpose.

HR 3.0: A business imperative... and a paradigm shift

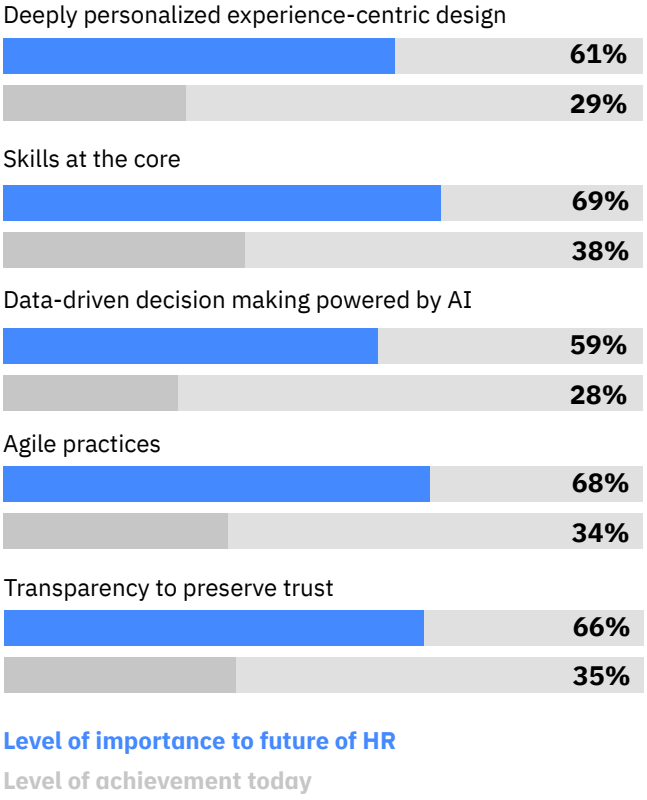
Our research shows that the radical reinvention of Human Resources is a critical imperative for organizations, especially now: more than two thirds of the executives we surveyed say that the global HR function is ripe for disruption. Even more convincing? The best companies in the world—those outpacing all others in profitability, revenue growth and innovation—are extremely confident in the need to reinvent HR. Eight times as many HR execs from these north star companies are already driving the disruption in their organizations, as compared to others.

We also uncovered widespread agreement on five common characteristics that underpin HR 3.0: deeply personalized experience-centric design; skills placed at the core of the enterprise; data-driven decision making powered by AI; agile practices for speed and responsiveness; and consistent transparency to preserve trust and reduce reputational risk.

Employee experience is central in 3.0, as HR helps drive a company's overall enterprise transformation. But today it's insufficient to think of employee experience as limited to the employee. In an era where the line between office and home continues to blur, the employee's family experiences the company, too, and therefore should be considered when designing and enhancing any employee experience.

Figure 2

Five imperatives for the future of HR



Burger King (BK) Brasil reinvents its communication with employees

BK Brasil knew the moment was now. Pandemic concerns made it crucial to accelerate a digital reinvention it had begun in 2019 to keep its workforce informed and engaged. And just in time.

By tapping AI and cloud-based services, it was able to stay close to its workforce and quickly address their questions and concerns with a tool with a virtual agent during the pandemic. Prior to launching the project, BK's communications with its 18,000 employees was centralized and relied on the restaurant's leadership team to initiate and manage. After the adoption of the virtual assistant connected to employees' WhatsApp accounts, employees can now quickly get HR-related information via their mobile devices using natural language interaction.

The platform isn't just for pandemic-related updates. While it enables employees to easily access information from the Ministry of Health's official content about the coronavirus, it also quickly disseminates the company's position on various topics. In fact, in addition to the expected COVID-19-related inquiries, the most frequent consultation with the tool are on topics related to salary, remuneration and benefits.

In April 2020, BK's virtual assistant answered more than 1,100 questions on average per day, with a total of more than 33,100 responses in the month.

To accomplish this, the HR function will become more automated and AI-driven, more data-centric and consultative, and more agile than before. However, achieving this future vision is not easy (see Figure 2). Only 30 percent of companies tell us they are living some of the principles today, and only 1 in 10 are leading in all five.

It appears that HR executives are unsure how best to evolve their operating model to HR 3.0. Which programs and activities should they prioritize? What investments will accelerate the journey?

To answer these questions, we examined a multitude of people practices that HR units around the globe are deploying at various stages of maturity. We tested each for its impact on enabling enterprise transformation to understand the activities in HR that will have the most value. Our analysis has identified ten priority Action Areas critical to the HR 3.0 model. The Action Areas span the breadth of the human resources function, in some cases wholly reinventing traditional people practices.

The world's best companies are acting in all these areas, taking bold steps to apply the principles of HR 3.0 to accelerate their transformation with speed and purpose.

Based on our analysis of what outperforming companies are successfully doing, we next give clear guidance on how to make the shift to operate at HR 3.0 in each of the ten Action Areas. We also share a taxonomy to assess your progress towards HR 3.0 and relate inspirational stories for the most innovative companies at the forefront of progress toward achieving it.

In a business landscape characterized by near constant disruption, HR 3.0 is the next evolutionary step.

The ten action areas are:

	Action area	Implications for the enterprise	Impact
1	Measure employee performance continuously and transparently	Clear and continuous coaching and performance conversations are essential to proactively address workforce and performance issues.	Very high
2	Invest in the new role of leadership	The role of leaders requires new and different skills and behaviors. Predict strong leaders with analytics and invest in their development.	Very high
3	Build and apply capabilities in agile and design thinking	HR must be equipped to help design and manage agile teams through operations, rewards, performance management, and workplace productivity tools.	Very high
4	Pay for performance—and skills—in a fair and transparent way	The old model of pay for tenure prevents growth, innovation, and hiring of top people.	Very high
5	Continuously build skills in the flow of work	Employees and leaders must be learning all the time, with both formal and informal learning embedded in the culture, coupled with capability academies for deep skills.	High
6	Design intentional experiences for employees	Today's workforce expects meaningful employee experiences that are highly personalized, responsive to their needs and constantly improved.	High
7	Modernize your HR technology portfolio	The move to a Cloud-based architecture enables speed, scalability and flexibility.	High
8	Apply data-driven insights	People analytics is now essential to understanding, managing, and continuously improving organizational performance.	High
9	Reorient and reskill your HR business partners	HR must act as strategic advisors, trusted coaches, and data-driven problem solvers.	High
10	Source talent strategically	Top talent can come from novel sources, so companies must look inside and outside to find the best hires to remain competitive.	High

Action Area 1

Measure employee performance continuously and transparently

An environment of continuous external disruptions is driving a heightened need for workforce adaptability and adjustment. Continuous feedback is key to enable this. In HR 3.0, therefore, performance measurement tools are designed with an employee lens. Goals and projects are transparent, enabling people to see what's important, what other people are working on, and the organization's overall progress toward results. Managers and employees revisit and adjust goals throughout the year, and change course when necessary.

Assessments are multi-dimensional and multi-channel. Skills relevancy and growth are built right into the performance management program. Managers use employee performance scores to coach the workforce for higher performance and continual skill-building.

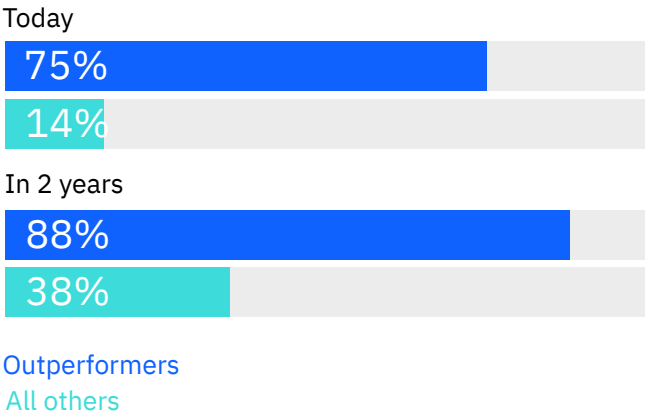
Key actions

Establish a rhythm of perpetual feedback throughout the year

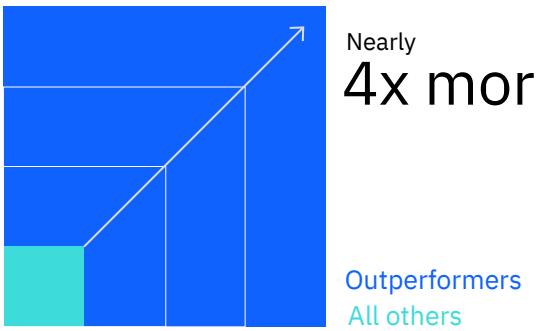
Promote transparency with employees through shared goal setting

Apply analytics to link results to workforce growth and development

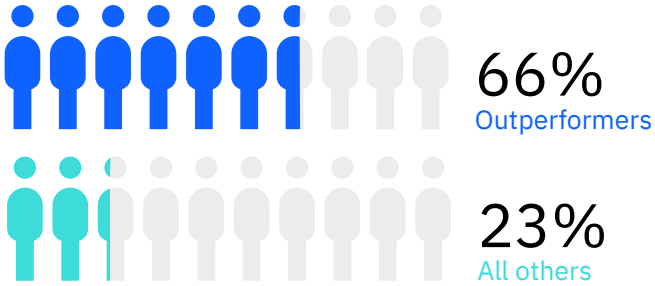
Continuously assess employee performance



Use employee performance to coach workers toward higher performance



Make skills growth a key part of performance management



In HR 3.0, performance measurement tools are designed with an employee, not an HR, lens.

Action Area 1 | Measure employee performance continuously and transparently

Employee performance management

HR 1.0

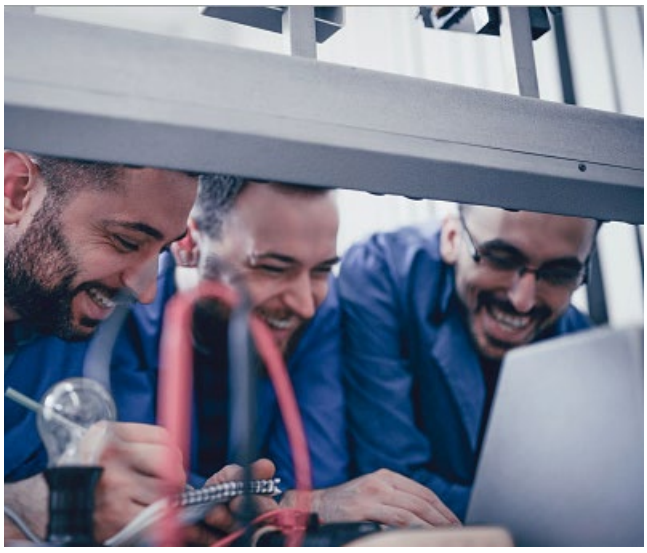
- Annual process, or in some cases, no formal process
- Annual goals and annual results
- Single element assessment
- Manager-driven
- Results used to inform compensation

HR 2.0

- Annual process
- Annual goals and annual results
- Assessment based on single measure (e.g., productivity)
- Team based decision making and cross-organization calibration
- Results used to inform compensation, promotions, internal opportunities
- Standalone program site

HR 3.0

- Shorter-term goals
- Continuous feedback
- Multi-dimensional assessment or no assessment
- Managers accountable for ratings and conversations
- Results are used to coach employees to higher performance, continual skill building, internal opportunities
- Mobile app allowing for continuous feedback and updates



General Electric: A new approach to performance management

General Electric, a US multinational company operating in multiple industries, was well known for its rigorous, annual approach to performance management—a process in place since the 1980s. In 2016, the company completely reinvented its program as part of an enterprise digital transformation. The new system is driven by a mobile app that employees and managers use on a regular basis to check in, discuss near- and long-term goals, and update priorities. Continuous dialogue and shared accountability are core principles of the new approach, which promotes trust between managers and employees.[3]

Action Area 2

Invest in the new role of leadership

Leadership in HR 3.0 focuses on collaboration, listening, and the ability to navigate uncertainty. Leaders put the team first and exhibit behavioral traits such as agility, communication and adaptability. They are seen as coaches, empowering their teams to innovate.

How leaders are identified—and developed—is important in organizations operating at HR 3.0. Leaders are identified who model the target behaviors of the organization in addition to demonstrating strong performance. Pioneering organizations are turning to behavioral science and data to predict potential leaders, and they are mining employee sentiment to improve leadership skill and performance. The investment is paying off—83 percent of outperformers say they have a deep pipeline of future leaders, compared to less than 30 percent of their peers.

Key actions

Invest continuously in leadership skills development and growth

Leverage AI and predictive analytics to identify new leaders

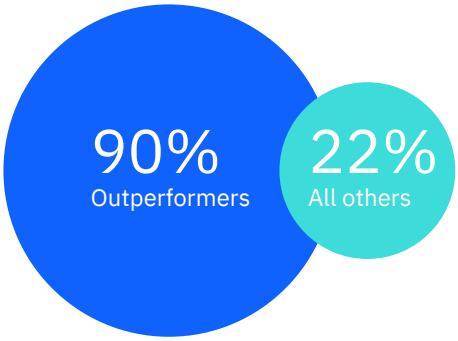
Foster transparency with the workforce through ongoing dialogue

Promote transparency through open dialogue with workforce

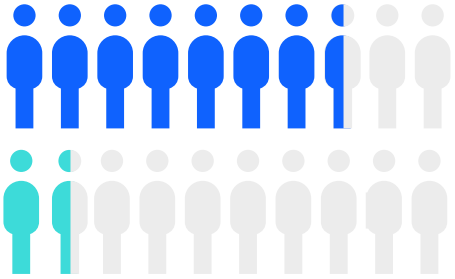
77%
Outperformers

23%
All others

Create a sense of purpose by empowering your teams



Develop leaders continuously



65%
Outperformers

15%
All others

Leadership is moving to the edge of organizations.[4]

Action Area 2 | Invest in the new role of leadership

Leadership development

HR 1.0

- Leadership based on tenure
- Hierarchical
- Rotational programs for early in career
- Classroom-based training
- New manager training is once and done

HR 2.0

- Leadership based on performance and tenure
- Flatter organizational structures
- Leadership development combines experiential (e.g., executive coaching) and education
- Leadership team-based identification of upward potential
- 360 degree assessment

HR 3.0

- Leadership based on performance and behavior
- Leader as coach
- Servant leader—include key attributes (leading a team, listening not telling)
- Continuous immersive and experiential learning
- Behavioral science-based assessments and predictive analytics to identify potential
- Employee engagement scores used to develop managers
- Reverse and team mentoring and coaching

A US home health and hospice company: Cultivating greatness

A US home health and hospice care company recently embarked on a project to define what “great” looks like for its leaders. As part of an inclusive, design-centered approach, it asked key stakeholders to define the skills and behaviors required for success. Data analysis was applied to these qualitative inputs to correlate skills and behaviors to business outcomes. Results were documented in profiles, creating a holistic picture of job success to clearly outline the knowledge, experience, and personal attributes required for success. The profiles are used throughout the employee lifecycle—from recruiting and developing leaders with the right skills and behaviors to predicting and identifying leadership success for succession planning and evaluating leadership performance.

Action Area 3

Build up—and apply—capabilities in agile practices and design thinking

In order to respond to external shifts and end user input, organizations need speed and constant iteration. The traditional waterfall approach to problem solving, then, is no longer tenable anywhere in an organization. Instead, companies must encourage iterative co-creation with customers and employees, with user input highly valued in shaping the solution from start to finish.

In this context, in HR 3.0, HR becomes an outcome-focused design function, facile and confident with feedback and data. Using measures like Net Promoter Score will help HR teams assess the quality of programs and quickly respond when improvements are needed. To achieve this, CHROs must commit to improve the skillset of their HR teams in agile expertise and design thinking capabilities. For example, project teams tap employee sentiment and input to develop and test benefit program changes, and cross-company popup squads assemble quickly to address business and workforce challenges.

Actions

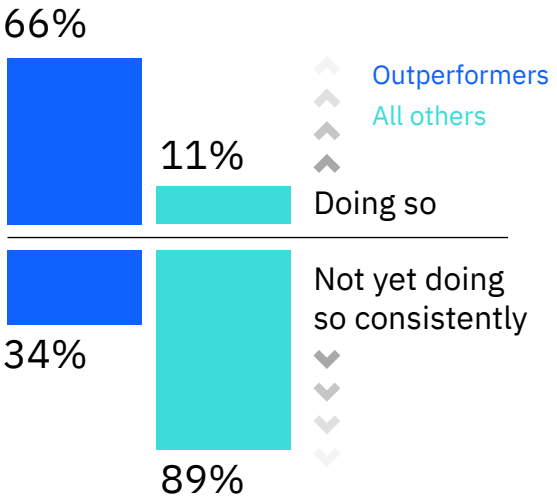
Invest in upskilling the HR team in agile practices and design thinking

Build trust with the workforce by co-creating employee solutions

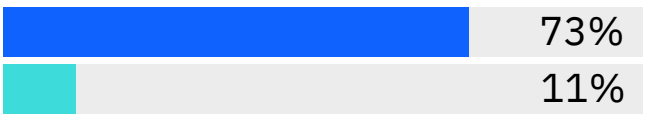
Release new solutions in iterative bursts and respond quickly to feedback

Less than half of all HR teams have expertise in agile practices today

Actively invest to upskill your HR teams



Apply design thinking and agile expertise when building employee solutions



The traditional waterfall approach to problem solving is no longer tenable. Instead, companies must encourage iterative co-creation.

Action Area 3 | Build up—and apply—capabilities in agile practices and design thinking

Agile HR

HR 1.0

- Waterfall approach to program execution and problem-solving
- Function-based teams (learning, talent acquisition, compensation)
- HR measured via schedule and budget delivery

HR 2.0

- Efficiency focused
- Cross-HR working groups and tiger teams
- HR team aware of and/or trained in principles of design thinking and agile
- Brainstorming sessions with sticky notes
- HR measured via key program metrics

HR 3.0

- Outcome and experience focused
- HR team incorporates design thinking and agile in how work gets done and models the way for the organization
- Agile, cross-company pop-up teams that work in sprints
- Small, iterative releases
- Active involvement of sponsor users
- Shift from programs to offerings, which are measured by NPS

Global oil and gas company: Embracing digital agility

A global oil and gas company with operations in more than 70 countries recently announced its strategic intent to reinvent the organization. The HR team plays a leading role in the company's modernization agenda, endeavoring to improve the employee experience and, at the same time, reduce costs across the entire HR lifecycle. The company recognizes that as the business transforms, the organization will need to become leaner and embrace digital transformation. HR is making significant investments in agile practices and the adoption of digital ways of working, partnering with IBM to develop agile and design thinking training and coaching services.

Action Area 4

Pay for performance—and skills—in a fair and transparent way

Today's workforce expects transparency into pay across the enterprise; race, gender, age and other pay inequities must be eliminated. Proactive pay equity programs powered by Artificial Intelligence (AI) can help companies more precisely pay workers, analyzing volumes of data inside and outside the company to reflect competitive wage rates.

In HR 3.0, compensation is tied to capabilities and performance; pay is linked to market value for future skills. Reward and recognition programs are linked to skill attainment, and deep skill specialization is incentivized. Pricing skills enables employers to demonstrate the value of ongoing development efforts, thereby increasing workforce agility with employees able to move more easily across roles.

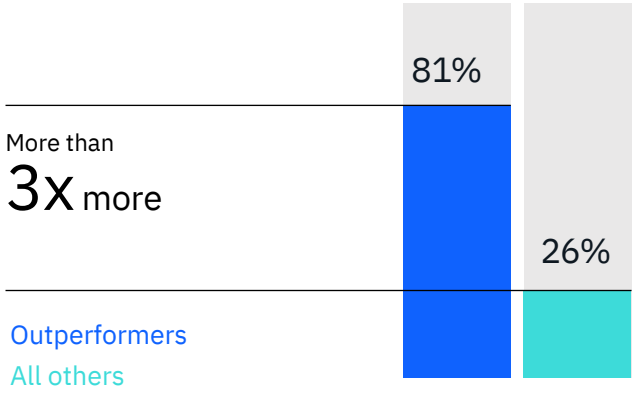
Actions

Establish pay transparency goals that align with company values

Leverage AI carefully to identify and eliminate pay bias across the enterprise

Encourage targeted workforce development by commoditizing critical skills

Reward employees with essential or business-critical skills

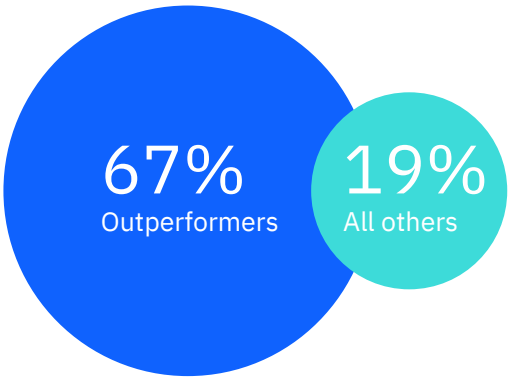


Base pay on contribution, not tenure

31%

Today, only 31% of companies surveyed say their pay decisions are based on contribution and are fair and equitable

Tie skill attainment to compensation



"It's really important to base pay decisions not only on the skills that you have, but on future skills and the supply and demand for those skills"

Nickle Lamoreaux, CHRO, IBM

Action Area 4 | Pay for performance—and skills—in a fair and transparent way

Compensation model

HR 1.0

- Tenure and role-based compensation model
- Standard annual increases
- Statutory pay compliance

HR 2.0

- Performance-based compensation model
- External market benchmarking
- Total compensation
- Trend analysis and manager training to reduce pay bias

HR 3.0

- Skill, market value and performance-based compensation model
- Pay transparency
- AI is used to identify and remove pay bias
- Proactive pay equity programs with AI

IBM: Using AI to improve compensation decisions

In 2016, IBM launched a multiyear journey to embed AI in its compensation systems. It sought to provide transparent, skills-based decisions and enabling ongoing feedback.

IBM managers now use the AI system to help them make better compensation decisions. The AI system gives salary increase recommendations during pay cycles ranging from high to average to no increase so that pay decisions now more accurately reflect more accurately what the market is paying as demand ebbs and flows.

Managers also use this information to explain how pay decisions are linked to employees' skills, so they can keep their skills competitive. The system not only enables better compensation decisions, but also assists managers to proactively retain employees with critical, hard-to-replace skills.

Action Area 5

Continuously build skills in the flow of work

In HR 3.0, organizations apply AI to personalize learning at scale, providing every employee with the right learning at the right time. Companies operating in this way make content available in a variety of digital modalities, allowing learners to self-select the channel best suited to their needs. Employees learn right in the flow of work, enabled by a strong infrastructure of knowledge management, micro-learning, and AI-driven skills platforms.

For example, companies in the industrial sector are introducing adaptive learning systems that deploy short, 2-3 minute videos each day when their operators check in to work. The learning is carefully curated, spaced, and designed to deliver an outcome based on the employee's interactions.

Organizations use predictive analytics to identify with precision the skills they have in the workforce at all times. Leading companies also use AI to assess external data sources and trends. This prevents skills obsolescence by detecting the skills needed in the future.

Actions

Aim for deep visibility into the skills you have today

Leverage digital tools to create personalized learning experiences for every employee

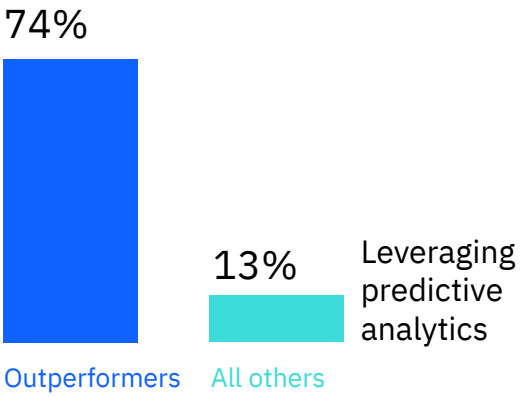
Foster a culture of perpetual learning that rewards continual skills growth

Skill and reskill your workforce continuously

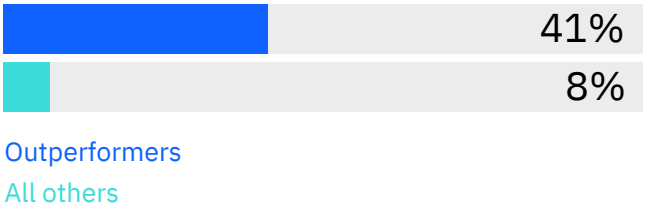
41 percent

Less than half of CEOs say they have the people skills they need to successfully execute their people strategy[5]

Use advanced analytics to know exactly which skills you have in the workforce



Use AI to identify the skills you'll need for the future



“We don’t want people to be addicted to the learning platform. We want them to learn something, apply it, and then go back to work.”

Josh Bersin

Action Area 5 | Continuously build skills in the flow of work

Learning and development

HR 1.0

- One-size-fits-all learning
- Traditional classroom training
- Success measured by number of classes delivered
- Training content developed in-house, static

HR 2.0

- Customized to each major career path
- Learning efficiency
- Internal design and development
- Massive shift to virtual/ online learning
- Delivered and managed through LMS
- Recognize employees who develop new skills

HR 3.0

- Personalized by individual, at scale
- Leverage AI and analytics to infer current skills levels and provide personalized career and learning paths
- Employee visibility to the roles and skills important to business success—more connection to the business; focus on careers in learning function
- Content curated from internal and external sources—learning ecosystem (including employee-generated)
- Delivery of immersive learning in the flow of work
- Incorporation of new learning and development methods such as digital badges, internal mobility, peer to peer learning, VR

KBC: Creating a marketplace for skills-driven learning

KBC, a multi-channel banking and insurance organization, recognized the need to reskill its workforce to make it as future-proof as possible. To support this exercise, the organization implemented a fully digital talent platform that enables every employee to engage in personalized learning and get recommendations for further growth in the organization. With a focus on transforming from classroom and compliance to a self-supported, skills-driven learning culture, the company created a “skills marketplace” aligned to a global skills framework, shifted to a digital learning platform, and is looking to introduce digital badging for employees. A few months after the initial launch, the feedback from employees on this new way of learning is very positive. It’s expected that extending the platform will further improve the productivity of employees, as well as their internal mobility.

Action Area 6

Design intentional experiences for employees

In the new business landscape, engaging employees has never been more crucial—or more challenging—than it is now. Employee experiences must be meaningful, simple and cohesive. Companies operating at HR 3.0 invest in designing highly personalized, digital experiences that are consumer-grade. Applying the principles of good design, organizations gauge employee sentiment as part of the creation of new solutions and services to ensure that employees are at the center of all design efforts.

Experiences must be perpetually improved, regularly informed by the current needs of the business. Organizations that commit to the ongoing collection and analysis of and response to feedback can continually course-correct HR services. Emerging internal and external social platforms make it easier than ever to capture, analyze and apply insights from the workforce. Direct feedback, pulse surveys, candidate and exit interviews, and forums for harassment reporting, safety violations, and other grievances are all examples.

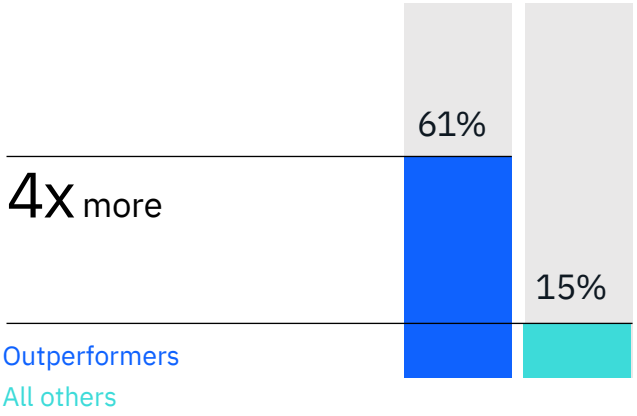
Key actions

Tune in to the voice of the employee with advanced analytics

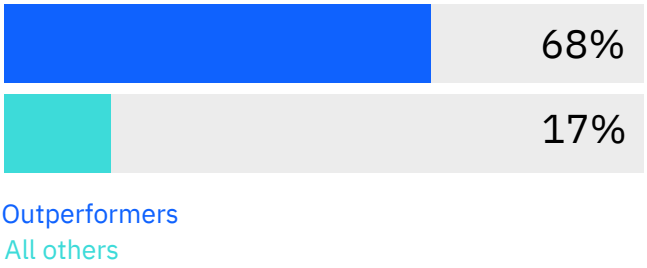
Design employee experiences using rapid, iterative design principles

Build an employee experience coalition that crosses traditional organizational silos

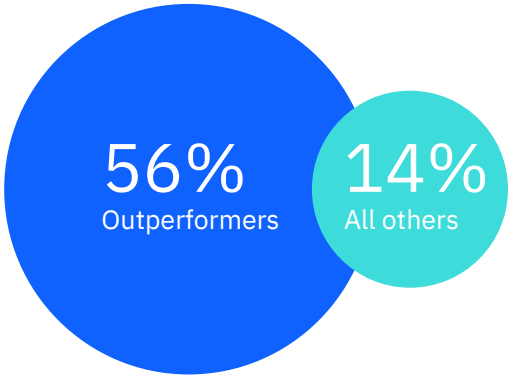
Create consumer-grade digital employee experiences



Listen to the workforce for better experiences



Incorporate employee opinion into HR solution design



"To build an engaged workforce, it is more important than ever to understand and act upon employee ideas, needs and concerns."[6]

IBM Institute for Business Value

Action Area 6 | Design intentional experiences for employees

Employee experience

HR 1.0

- Focus on useful tools
- Employees provided the basic tools and environment to complete work
- Communication top-down, one-way, cascaded through managers
- HR performs all transactions
- Employee input via structured feedback (for example, suggestion box surveys)
- Focus on employee morale

HR 2.0

- Focus on productivity and engagement
- Tools provided to help employees work faster, produce more
- Engagement measured through employee satisfaction surveys
- ESS and MSS—getting information from intranet, self-serve answers
- Transactions completed by employees and managers
- Siloed processes (for example. promotions used different tools to approve a move, adjust compensation, update job assessment)

HR 3.0

- Employee experience platform provides simplified, one-stop shop for HR interactions
- Ongoing, two way, any time dialogue with employees
- Safe spaces for employees to voice opinions and share ideas"
- Focus on human-centered design, transparency, simplicity, personalization, authenticity
- Experiences are measurable (NPS, Customer Sat Scores, etc.)
- Apply AI and analytics to understand the employee voice and increase social transparency
- AI-enabled knowledge sharing in the flow of work

Financial services company: It's all about the experience

A US multinational financial services company puts the employee experience at the center of everything it does. The outcomes are clear: 92 percent of its employees say it is a great place to work, compared to 59 percent of employees at a typical US based company. Employees cite an organizational culture that promotes work/life balance, flexibility, opportunity, and growth as the most important factors. Symbolic of its commitment to employees, the company recently renamed its HR department the Employee Experience Organization to focus on further architecting consumer-grade experiences for the benefit of employees, and ultimately, business outcomes.

Action Area 7

Modernize your HR technology portfolio

As HR executives shift to 3.0 and prioritize employee experience above process excellence, HR technologies and tools must also evolve in tandem. A consistent and integrated HR data architecture deployed across the enterprise is essential for organizations operating at this stage, as is a common skills taxonomy to support skills-based decision making.

A move to cloud-based systems offers scalability and flexibility that was previously very difficult to achieve in HR, and provides leaders and employees with secure, stable access to data anytime, anywhere. The pervasive deployment of analytics and Artificial Intelligence (AI) occurs across the talent lifecycle in HR 3.0. For example, analytics can be used to accurately predict probable future performance of new hires, AI-powered virtual agents can flag engagement issues for managers, AI-based compensation support can identify pay inequities and bias, and specialized chatbots are available to serve employees 24/7. This approach demands that HR strengthens its technical skillset in AI and analytics.

Key actions

Move HR systems to the Cloud for scalability and flexibility

Leverage Artificial Intelligence across HR to improve the employee experience

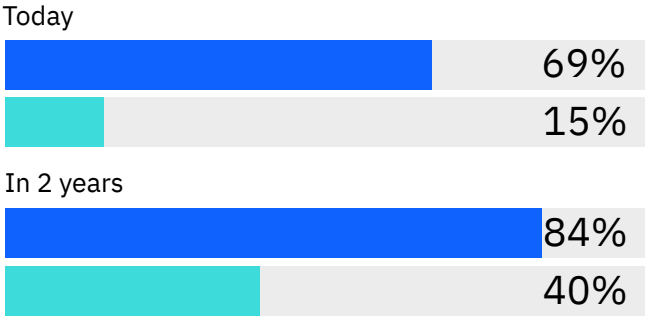
Develop high-tech skills in the HR team in analytics, AI, and machine learning

Deploy a consistent, integrated HR architecture

71%
Outperformers

11%
All others

Define a common skill taxonomy



Outperformers

All others

Cultivate AI skills in HR

Only 30%
of companies have skills and capabilities in AI in HR

Cloud-based HR systems are essential to successful AI implementations because the most powerful cloud-based AI applications share data from systems that were traditionally distinct.[7]

Action Area 7 | Modernize your HR technology portfolio

HR technology

HR 1.0

- Forms
- Excel spreadsheets
- Databases
- Custom solutions

HR 2.0

- On-premise big ERP software
- Efficiency focused
- Standardization of tech, globalization, everyone using the same product
- Product focused to meet specific functionality needs
- Mobile-enabled
- Introduction of self-service

HR 3.0

- Cloud-based, open architecture
- User experience focused
- Employee-enabled tools that provide anyplace, anytime connectivity and support
- Business platforms that enable intelligent workflows across the enterprise
- Common role/skill taxonomy
- Analytics and AI embedded pervasively across HR solutions (for example, bots, virtual agents, intelligent automation)

A multinational healthcare company: Building a modern cloud-based HR system

Recognizing that people are at the heart of its enterprise, a multinational consumer goods and medical device company in the US adopted a cloud-based human resource information system (HRIS) several years ago as a source system of record. Now, as it seeks to engage and motivate employees in this new environment, the company is able to rely on virtual collaboration tools that allow workers to be productive even when remote, a robust e-learning platform that keeps employee skills current and builds personal accountability, and powerful data about the workforce to aid in talent decisions. The company has also used its HR Cloud platform to introduce intelligent workflows across the HR function, and to introduce an entirely virtual onboarding process for new hires.

Action Area 8

Apply data-driven insights

Data gives HR the ability to make evidence-based decisions that correlate with the overall strategy of a business. Real-time unstructured data from inside and outside the organization, coupled with advanced analytics and AI, can inform superior talent and workforce decisions across the enterprise. HR 3.0 relies heavily on the ability to integrate powerful new data from outside the firewall—for example, labor market statistics—with traditional sources from within the company such as HRIS and finance data.

In order to derive insights from the massive volumes of data they collect, leading companies are investing heavily in analytics in HR and building deep expertise in the HR function to capitalize on that investment.

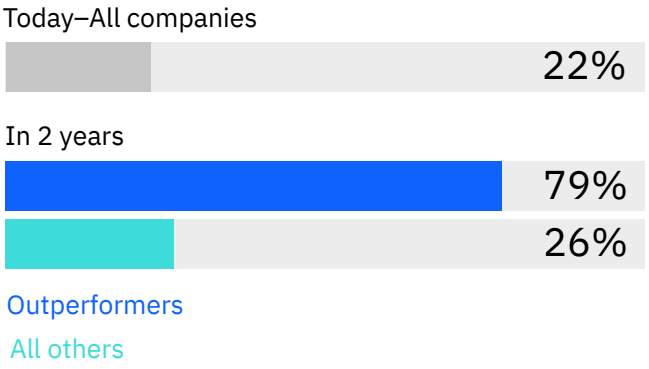
Key actions

Look at data inside and outside the enterprise to get a 360-degree view of the labor force

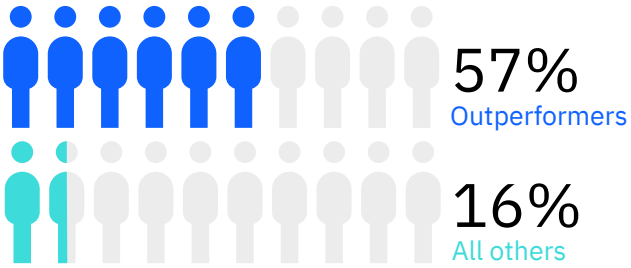
Invest in AI to decipher these valuable new sources of employee and candidate data

Put the data to work to continually improve business and workforce outcomes

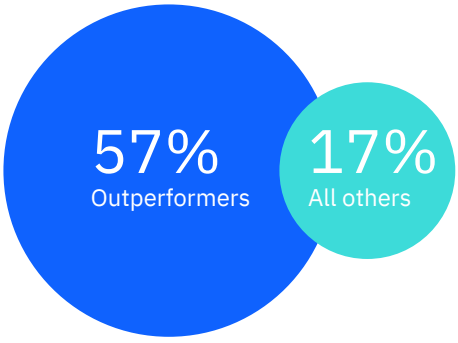
Source and analyze external data for future success



Use AI and analytics to make better talent decisions



Invest to build expertise in data analysis



"CHROs have got be 100 percent more focused on data than they were in the past."

CHRO, Electronics, US

Action Area 8 | Apply data-driven insights

HR data

HR 1.0

- Reporting
- Scorecards
- External benchmarking—best practice surveys

HR 2.0

- Data is standardized and integrated, or in the process of being integrated across the enterprise
- Data sources are internal and structured
- Data siloed and historical (versus real-time)
- Proliferation of dashboards—not integrated

HR 3.0

- Significant investments in AI and analytics across HR
- Use a combination of structured and unstructured data
- Predictive analytics
- Leverage data from internal (for example, Finance) and external sources (for example, labor market stats, social media platforms)
- Apply insights to improve organizational performance and HR programs
- Robust data governance with a focus on privacy and security of workforce data

Forum Engineering: Using AI to find better job candidates[8]

Japanese firm Forum Engineering specializes in providing temporary staff for technical and engineering companies. Its traditional matchmaking process was slow, subjective, and often inaccurate. The company turned to AI, employing a cognitive computing solution to sift through both structured and unstructured data in its internal files to pinpoint the most appropriate candidates for each post. Now that it takes factors such as personality, interests, and customer feedback on individual workers into account, Forum Engineering is six times faster at filling vacancies with suitable candidates.