Gartner®

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A Magazine for Chief Human Resource Officers and Their Teams

Reskilling the Workforce

In This Issue

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Reskilling the Workforce

From the Editors

In Season 2 of the HBO series "Silicon Valley," coder Bertram Gilfoyle (played by Martin Starr) walks into his living room — doubling as a tech startup's headquarters — to find a mountain of gift baskets from Silicon Valley's most prominent companies. Gilfoyle looks at the pile of expensive technology and sundries with complete indifference. The show's message is clear: Top tech talent is not just used to being wooed but jaded by it.

The scene reflects organizations' overwhelming preference for winning the war for critical talent by acquiring rather than developing emerging critical skills. Today, 83% of CHROs say their digital talent strategy is primarily based in talent acquisition. But the talent gap is only widening (and the labor market only tightening), and most CHROs agree their organizations lack the skills necessary to meet business goals.

This issue identifies a turn toward the "build" option of the "build or buy" question that is at the heart of workforce strategy in this digital era. Increasingly, we see organizations leveraging innovative development strategies to build organizational capabilities. From teaching nontechnical talent technology skills to building new soft skills for roles reshaped by automation, to evolving leaders' mindsets, the rise of development-focused (or at least balanced) strategies for transformative workforce capabilities signals a new phase in the evolution of talent strategy for the digital era.

Our feature article, "How Workforce Reskilling Meets Business Strategy," explores how DXC Technology leverages insights from machine learning to predict emerging skill sets, allowing employees to be trained on critical skills before they are left behind by the market. We'll also hear from Marilyn Chaplin, group people and culture executive at Dimension Data, about building a culture of continuous learning.

At Gartner, we predict development to increasingly complement, and in unique instances relieve, acquisition of its primary role in evolving the workforce. Within these pages, HR executives will see what that shift looks like and what they must do to prepare.

HR Investment
Budget and Staffing Snapshot

Most HR functions are spending between **USD 1,350** and **USD 3,800** per employee in 2018

Number of respondents = 264

Most HR functions are spending between USD 1,350 and USD 3,800 per employee in 2018. In a world where most HR leaders expect more change, how are your peers investing to keep up?

Many HR Functions Have Remained Centralized[1]

Number of respondents = 264

The Average HR Function ...

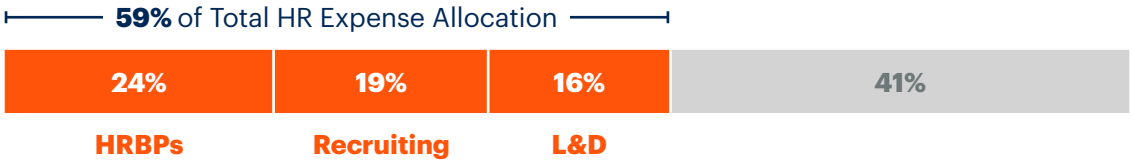
Consumes **2%** of organization operating expense

Deploys 1 HR FTE per every **66** employees

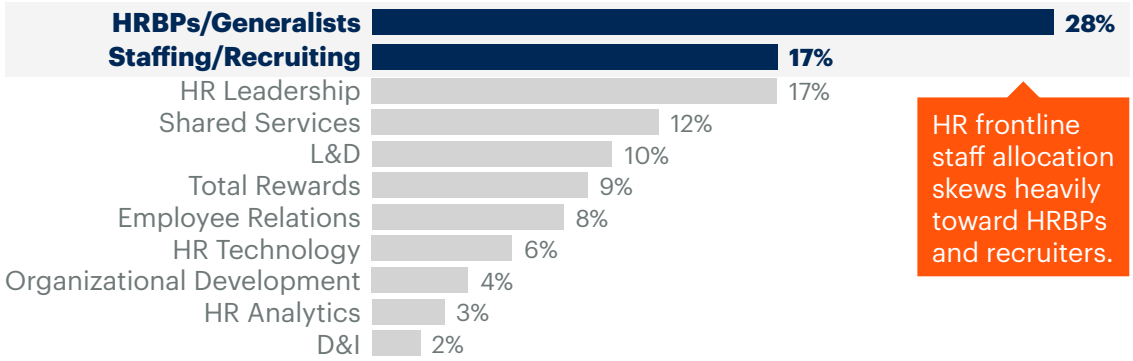
Spends **9%** of its budget on technology

Number of respondents = 264

HR Budget Allocation



Subfunctions as a Percentage of All HR Staff[2]



Number of respondents = 53-247

[1] **Centralized:** Individuals responsible for HR activities report into a single HR function for the entire organization. **Decentralized:** Individuals responsible for HR activities report into different parts of the organization. **Hybrid:** Some parts of our HR organization are centralized, and others are decentralized. **Matrixed:** Individuals responsible for HR activities report into a central function in addition to different parts of the organization.

[2] Percentages do not add up to 100% due to rounding.

Is There a Place for User Ratings in Performance Management?

By **Ray LaMotta**

A recent article in The Economist describes Uber's user rating system for drivers as a strategy for supplanting traditional performance management. The author argues these ratings "increasingly function to make management cheaper by shifting the burden of monitoring workers to users."

Uber has an interest in ensuring consistently positive customer experiences and thus is harmed when drivers perform poorly, but instead of devoting resources to monitoring and managing drivers' performance, it counts on customers to assess it. Meanwhile, the platform gives drivers a strong incentive to earn high marks, "aligning the firm's interests with those of workers" through the threat of deactivating drivers if their average rating falls too low.

This type of outsourced performance rating has expanded beyond the gig economy, the article's author adds, pointing to the ratings and feedback companies increasingly solicit from customers online after they interact with employees, such as in a customer service call.

As the author points out, user rating systems are an attractive method for crowdsourcing employee performance monitoring, saving managers time and effort and saving companies money. And it's no surprise organizations are looking for an easy way out. Our own data shows 55% of managers believe performance management is too time-consuming, and only 4% of HR leaders believe their current process accurately assesses performance. With all the effort that has ostensibly been wasted trying to fix performance management, leaving it up to the wisdom of the crowd is certainly tempting.

This approach makes sense for Uber, which treats its drivers as contractors and will never need them to perform a task other than driving. Customer ratings may be all the performance information Uber needs to decide whether to allow a driver to continue working on its platform. With more conventional models of employment, however, this usually isn't an option, so most organizations that choose to integrate user ratings into their performance management process must do so more carefully.

We've identified a few performance management strategies that actually improve performance, any of which could potentially be complemented by a user rating system:

- **Provide ongoing, not episodic, performance feedback.** User rating systems can be an effective way to add a real-time performance measure to the feedback employees

receive. Regular feedback from a manager is still needed, however, to help employees diagnose any changes in their ratings and identify ways to improve.

- **Include performance feedback from peers, not just managers.** While many organizations incorporate 360-degree feedback in their performance reviews, employees often struggle to assess their peers' performance over the span of weeks or months. The technology behind a user rating system can also work as an internal rating system, with peers giving instant, documented feedback on a task or project rather than, at most, a few times per year.
- **Make performance reviews forward-looking, not backward-looking.** Understanding employees' abilities to meet future business needs is critical in developing employees and placing them in the right roles at the right time. A standard user satisfaction rating only captures past performance, but adapting a user rating system to ask about specific behaviors or abilities could help build a profile of employee skills. While a whole battery of questions would discourage anyone from actually using the rating system, crowdsourcing can quickly build a usable dataset even if each reviewer answers only one question.

For any organization, remembering the goals of the performance management process is critical. A company such as Uber, which above all else must satisfy its customers and keep them using its service, can rely heavily on a performance management system that only assesses customer satisfaction. But for organizations with employees who have multiple critical objectives, such as driving growth, enhancing their colleagues' effectiveness and behaving ethically, such ratings should be only one of several data sources evaluated in the performance management process.

[1] "User-Rating Systems Are Cut-Rate Substitutes for a Skillful Boss," The Economist

A Tale of Two Employee Monitoring Programs

By **Staff**

As employee monitoring technologies move out of the realm of experimentation and into the mainstream, concerns over their impact on employee privacy, data security and trust have become more pressing. In a breakout session at our ReimagineHR event in London, Principal Executive Advisor Clare Moncrieff elucidated the difference between the kind of employee monitoring we trust and the kind we don't. She began by asking attendees whether they agreed with the following statements:

> "Recording the location, actions and communication of employees is a necessary and important part of business operations."
>
> "Recording the location, actions and communication of *commercial airline pilots* is a necessary and important part of business operations."

Responses to the first statement were mixed, with about half the audience saying they agreed or strongly agreed and the other half saying they disagreed or felt neutral on the subject. On the other hand, every single attendee agreed with the second statement. What's the difference?

One reason the recording of commercial airline pilots is uncontroversial is it has been a standard practice in the industry for nearly 60 years. Flight recorders (commonly referred to as "black boxes") are understood to be a normal and necessary component of air safety procedures. Their value in diagnosing and correcting problems that can lead to catastrophic accidents is unquestioned, and everyone — passengers, crew, airline administrators, regulators and the public — understands and appreciates why they are needed.

Pilots don't see these devices as intruding on their privacy, although they record every conversation in the cockpit, because their benefits are clear and airlines only use the information for a specific and clearly defined purpose. Data from the recorders is only accessed after an incident and is never shared or published. Black box data has never been used for purposes other than the intended, and no known breach of flight data security has occurred in six decades of using these recorders. Also, data from flight recorders is only one of many inputs during an inquiry, along with firsthand accounts from the flight crew.

Flight data recorders meet all the key criteria of an effective employee monitoring system, according to our research:

- The purpose and benefits of the technology are clear and consistent.
- Access to the collected data is strictly controlled.
- Employees' perspectives are taken into consideration when interpreting the data.

When monitoring follows these guidelines, employees are much more likely to trust and accept it.

Another monitoring program, also in the field of air travel, didn't meet those criteria and ran into serious problems as a result. In a study published earlier this year, researchers assessed the camera surveillance systems installed at the Transportation Security Administration's (TSA's) airport security checkpoints in 2011 to assess their impact on employees and their managers.[1] The administration had installed the cameras in response to complaints from travelers alleging that TSA employees were stealing their belongings. The stated purpose was to either catch employees who were engaging in theft or provide evidence they were not and thereby protect employees from false accusations.

Had the cameras been used solely for that stated purpose, the story might end there. But the employees' experience with the cameras was quite different from the stated purpose; the actual effect of the system, they felt, was to find fault with their behavior at work and punish them for it. TSA employees told the researchers they felt like they were being constantly *seen* but never *noticed* as individuals. The system seemed to dehumanize them. Managers contributed to this perception by using the cameras to call out employees for minor violations of standard procedures (sometimes incorrectly).

In other words, the surveillance program strayed significantly from its original intent. It was used to criticize and punish employees who behaved incorrectly but was never used to recognize or reward those who exhibited exemplary behavior on the job. The end result was that employees felt mistrusted and demoralized, so they took pains to avoid standing out or interacting with their managers.

> Employees felt mistrusted and demoralized.

Comparing the TSA employees' experience with surveillance cameras against airline pilots' experience with flight data recorders illustrates why some employee monitoring programs are more effective than others and how much of that difference comes down to employee trust. Now that employee monitoring is becoming a well-established aspect of the workplace, employers should adhere to the same best practices seen in flight data recorders to prevent their monitoring programs from eroding that trust and damaging employee engagement and morale.

[1] "A Self-Fulfilling Cycle of Coercive Surveillance: Workers' Invisibility Practices and Managerial Justification," Organization Science

How Workforce Reskilling Meets Business Strategy

By **Evan Rhodes**

Workforce skill development has historically been a reactive process. It is a means of accounting for the human capability required to achieve business strategy over a given period. Rarely does the work involved in assessing skill needs actually *inform* that strategy at the organizational level. Yet as data and analytics change the way HR functions add value to the business, that dynamic may be changing as well.

Workforce analytics are being used more (albeit not in a widespread way) to inform the direction of business strategy. Intuit, for example, uses engagement data as a predictive indicator to assess the feasibility of proposed business changes. Philips uses labor market analytics to evaluate digital business opportunities.

DXC Technology is taking the same approach to learning analytics. In so doing, it is radically changing the role of reskilling initiatives, not only within the context of its overall workforce strategy but also in the proactive value workforce strategies can now have on business strategy. DXC's unique approach to skill development represents a way forward for organizations looking to evaluate and quickly build learning to reskill their workforces as well as for organizations that struggle to inform the direction of business strategy through people analytics.

The Rise of Business Transformation, the Death of Needs Analysis

DXC, a $25 billion American multinational IT services company with clients in over 70 countries globally, was formed in 2017 from the merger of Computer Sciences Corporation and Electronic Data Systems. The merger joined two organizations with significant capabilities in IT and electronics hardware and professional services to transform them into a cloud-based IT solutions provider.

On top of the change resulting from the acquisition, DXC's HR function was tasked with rapidly bringing in new-to-world skills related to cloud-based solutions to ensure the merger's success. This required reexamining the way HR assessed organizational skill needs. The "ADDIE" (assess, design, deliver, implement and evaluate) approach DXC had historically relied on was not fast enough to build learning solutions that met business leaders' time frames.

While organizations have experimented with learning design processes for some time to improve on ADDIE's inherent limitations in speed (as well as resource allocation and design quality), DXC's HR leaders realized the biggest obstacle in their legacy process was the input it required to assess learning needs. They relied on conversations with business leaders, but in creating a workforce strategy for new-to-world skills, leaders did not know precisely what skills would need building — much less where and how much.

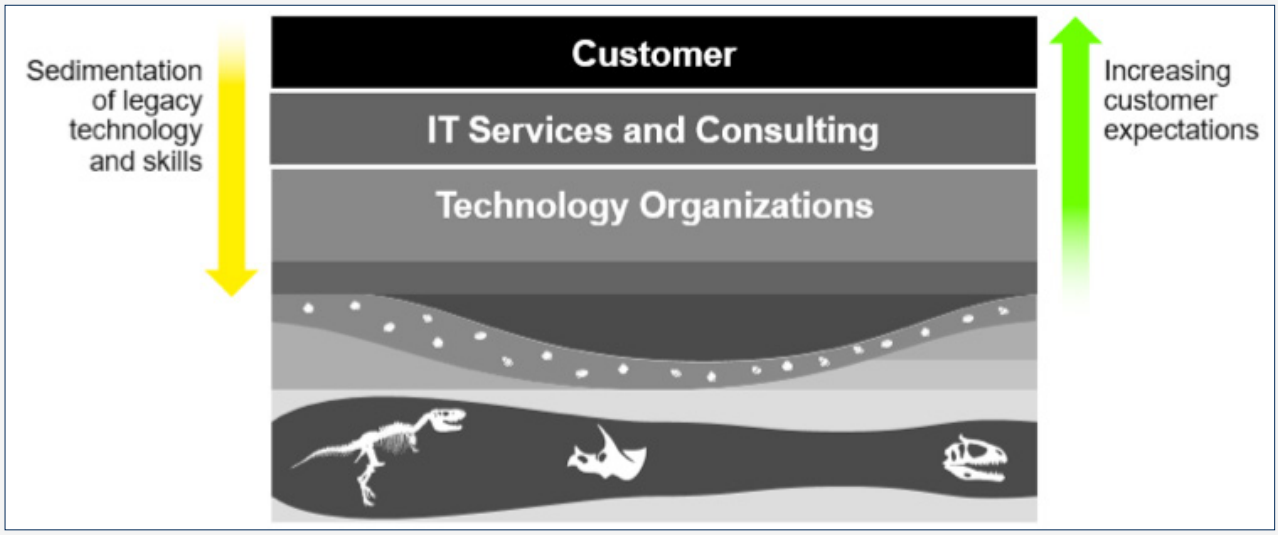
Most organizations today are in a similar circumstance: 69% of CHROs recently indicated the change in workforce skills will be the biggest driver for organizational growth over the next three years — second only to technology. Many leaders today struggle to provide input on skill evolution because they aren't as familiar with the skills necessary to support their broader business transformations (see Figure 1).

To fill the information gap, DXC devised a machine learning model that mines publicly available information about skills in the labor market and customer activity to predict how skill needs for DXC would evolve to support its business transformation. DXC's approach drew data from job boards, industry publications and customer websites to use several additional inputs beyond what most organizations use for C-suite conversations about workforce skill needs. The additional inputs include:

- Industry skill shifts
- Short-term fluctuations in skill demand
- Shifting customer demands
- Skills valued by competitors
- Geographic variation in the skills landscape
- Skills that transcend industry
- Emerging skills in the marketplace

DXC's use of machine learning effectively fills the skill information vacuum at the C-suite level left by digitalization and other forms of business model transformation. It also demonstrates how CHROs should continue to think about the evolution of their partnerships with other C-level executives and business leaders.

Figure 1: Shifting Skills Landscape
Illustrative



Source: DXC

CHROs are increasingly responsible for leading workforce strategy, rather than following other executives' lead, because large-scale business transformations require workforce skills to be articulated as business-unit-level strategies. This shift reconfigures the relationship between the head of HR and other functional leaders. That relationship is now based more on HR's ability to provide leading data and inform business decision making than on its ability to devise workforce strategies and services that facilitate execution of predefined business strategies.

Using Big Data for Workforce Skill Development

To predict emerging skills, DXC uses a supervised machine learning process with two high-level steps:

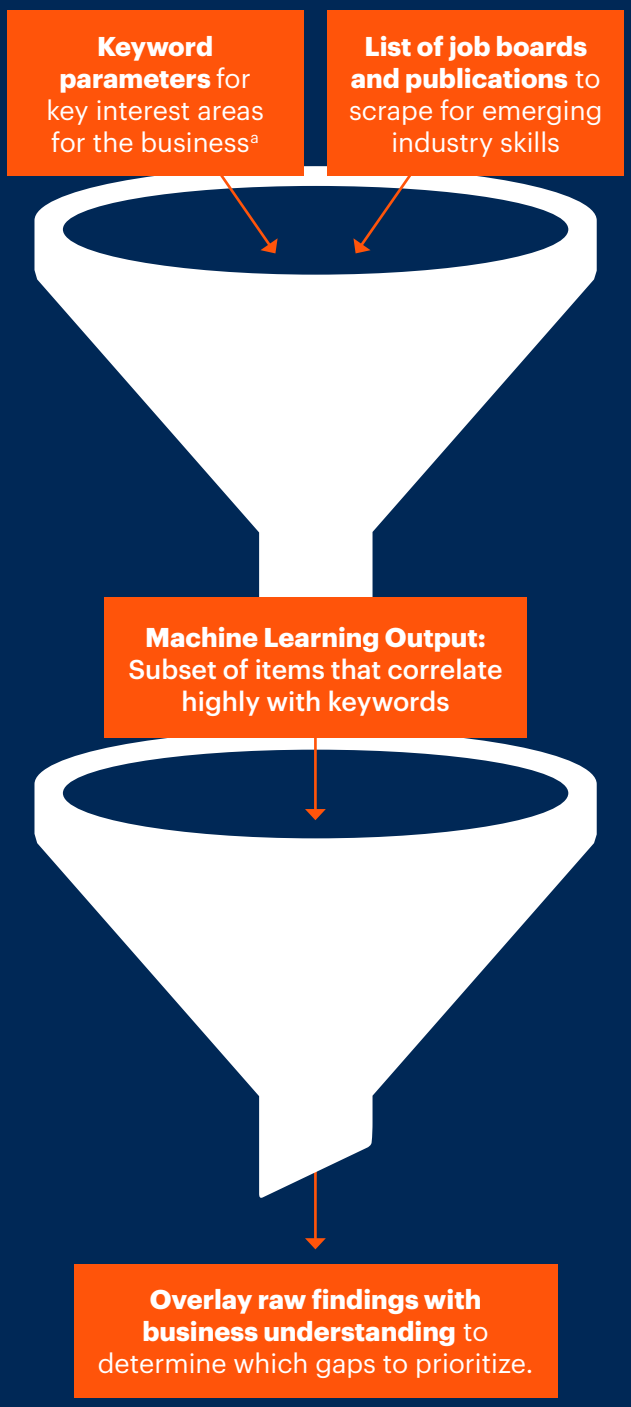
1. Data scientists load sample inputs and desired outputs — such as key skill words that align with jobs — into a computer.
2. The computer uses statistical analysis and probability theory to make predictions from the data without being explicitly programmed.

The initial output of this first filtration process is a subset of words that are highly correlated with the keywords DXC loads. The company pulls this data continuously and can thus gather new insights at the speed of the market.

By themselves, these highly correlated words don't necessarily help DXC prioritize emerging skill needs to address, so HR takes the process a step further. Rather than eliminating business perspective all together, HR conducts a second layer of filtration, using business judgment supplied by subject matter experts to prioritize skills identified through machine learning (see Figure 2).

DXC's primary goal in using machine learning is to generate a more predictive perspective of shifting skill needs; however, HR can capture more layers of insight from the rich predictive data. By conducting an extra layer of analysis, DXC identifies diverging competitor skills. This additional analysis sorts the data to find skills the business's current strategy might be inherently biased against. HR also scans for "skill

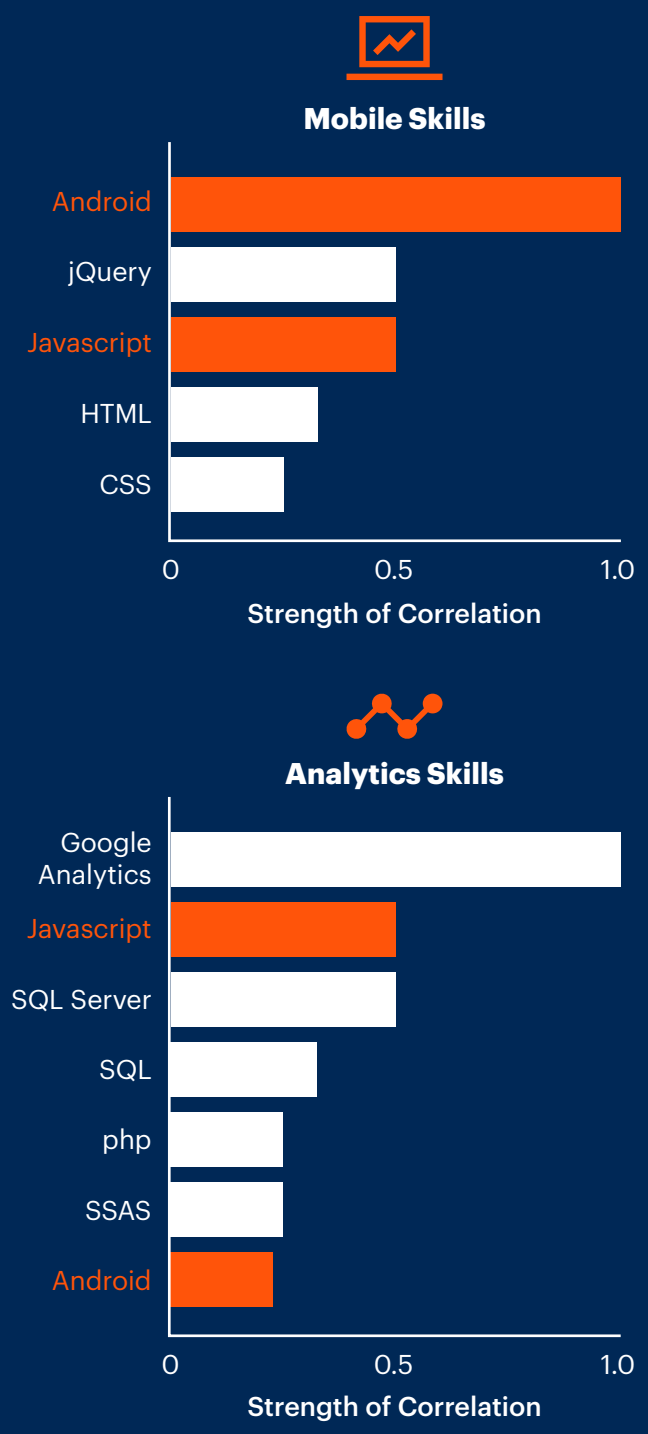
Figure 2: High-Level View of DXC's Machine Learning Process



Source: Adapted from DXC

[a] DXC looked for skills related to the following technology subdomains: big data and analytics, mobile, virtualization, security, DevOps, cloud, application modernization and Internet of Things.

Figure 3: Sample Skill Linkages



Source: Adapted from DXC

linkages" — skills that cut across multiple business units and are thus highly relevant (see Figure 3).

Turning Analysis Into Action

DXC's supervised machine learning process also enables an accelerated learning strategy on the back end of business and workforce planning; it enables HR to be agile in producing learning solutions. DXC uses its data to prioritize learning needs where a minimum viable product (MVP) is of more value than a fully developed learning solution.

In our last edition of CHRO Quarterly, we discussed how organizations can use MVPs to provide immediate value to employees and iterate based on their early reactions. While MVPs may not have the flashy features of traditional learning content, they contain the right learning content to help employees build needed skills quickly, and they embody the principles of agile development.

DXC's MVPs, called "learning guides," are PDFs filled with curated links to existing high-quality content. They stick to the core, functional features employees need to get to the right content quickly, and they are easy for L&D to iterate over time.

Recognizing that learning content is now a commodity, DXC has sourced an estimated 60% of the content in its learning guides from vendors with whom it has strong relationships. Based on the emerging skill needs it finds through its machine learning analysis, DXC can even influence vendors to create new technical skill development offerings.

See an example of how Dimension Data shares emerging skills across the organization in this quarter's Voice of the CHRO interview on Page 22.

In addition, DXC ensures subject matter experts within the business approve the content needed to develop each skill. By working with the business at this stage, HR can create quality content faster. Rather than waiting for the business to flag emerging learning needs, HR proactively shares newly discovered emerging skills with leaders and provides learning guides with preliminary content at the same time. This proactive sharing has built HR's reputation as the place to go for predictive skill analytics and ready-made solutions.

DXC also recognizes that employees must master not only skills that are relevant to the business

but also skills that are relevant to their jobs and careers. Through its FutureTense predictive modeling lab (see Figure 4), HR gives employees an interactive map of the shifting skills it has discovered in the market. Employees see what skills are emerging in the FutureTense tool and can find the corresponding learning guides to help them develop their careers.

Implications for the C-Suite and the Board

DXC's approach to evaluating skill needs is a model for how CHROs and their teams effectively add value in a rapidly changing work environment. Organizations increasingly place a premium on HR services that anticipate as much as drive business strategy. Yet anticipation is perhaps the most difficult dimension of workforce skill development. Within the context of strategic workforce planning, anticipation is almost prohibitively difficult.

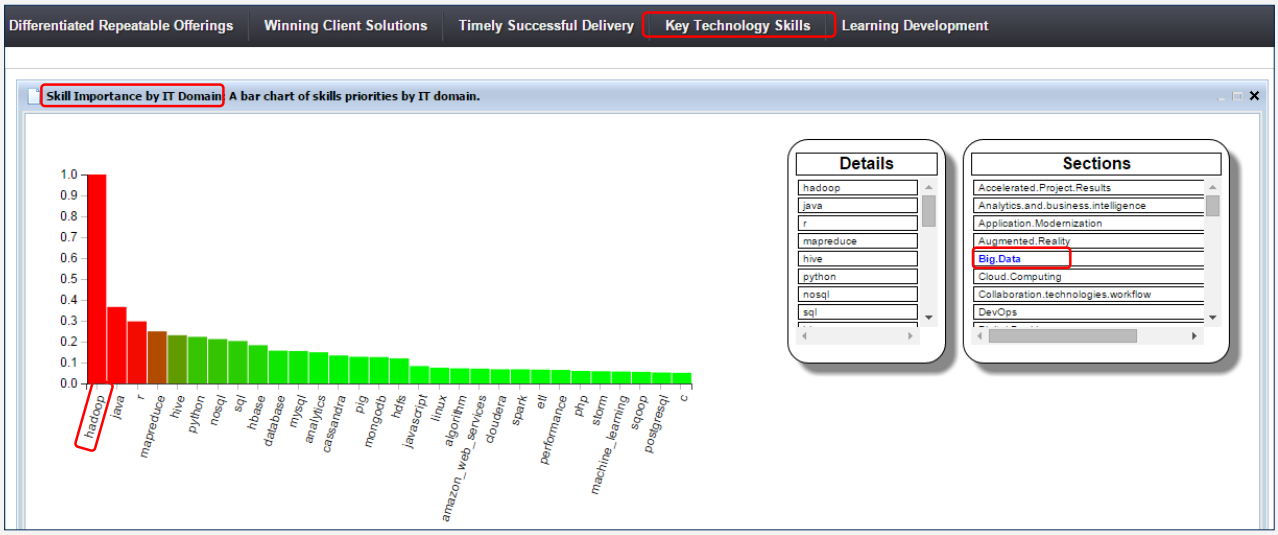
"What skills will my workforce need in the future?" Many HR executives can successfully answer this question in general terms: "As we move to the cloud, we need more developers and fewer programmers," or "As we move to a solutions business, we will need more consulting skills." But more concrete formulations remain elusive.

The reasons for this vary. Organizations continually struggle to anticipate the true capability needs of the business beyond the short term. More recently, the increasing threat of disruption caused by digitalization has tethered organizational transformation to workforce capabilities that are at best scarce in the marketplace and at worst too new to be deployed at scale or simply not yet in existence.

Workforce development bears a special burden in this ever-faster-moving knowledge economy: For a skill to be taught, it has to first be understood, codified, packaged and exported from one human to another. And often skills with that kind of value are being used, not packaged for scalable development. Development, in other words, will always lag slightly behind acquisition as a method of building workforce capability because of that extra step.

For that reason, it is especially hard for organizations to put development at the forefront of a forward-looking workforce strategy. But DXC has done it — and in a way other HR functions can learn from, adapt and make their own.

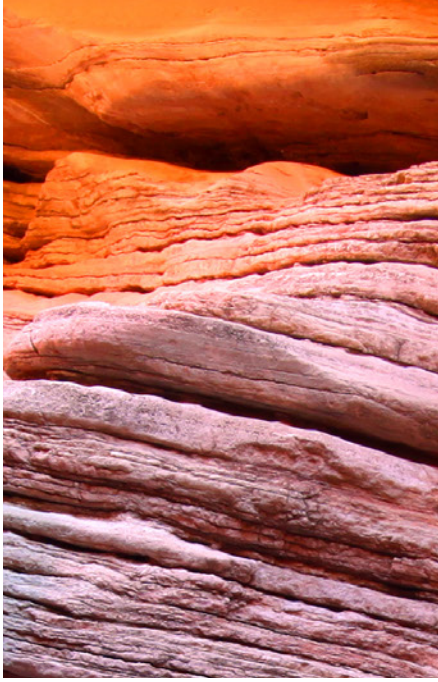
Figure 4: Skills Heat Map
FutureTense Predictive Modeling Lab



Source: DXC

4 New Ways to Gain an Edge With HIPOs

By **Matthew Braswell** and **Oana Lupu**



Organizations with weak succession pipelines grow their revenue and profit only half as fast as those with strong pipelines.[1] Yet while 62% of HR leaders rank improving their leadership bench as a top priority, only 13% of companies are confident they have a strong bench for the future.[2,3] In an era that requires fast (and right) decision making and support to get a stream of new products to market, this problem has become a crisis.

Bringing in superstars from outside isn't a foolproof strategy, either. The labor market has been tightening, and unemployment in most G20 countries is below or very close to prerecession levels.[4] In addition, external hires — for whom companies must pay market price — take time to onboard and build internal networks before they can truly make an impact.

In light of all this, the importance of retaining high-potential employees (HIPOs) can't be overstated. HIPOs are more likely than non-HIPOs to be actively looking for a job with another organization (39% vs. 30%, respectively).[5] Apps and professional networks have made it easier for HIPOs to find other opportunities — and to be found. With so many companies in dire need of future leaders, the competition for top talent is bound to intensify.

The Traditional Approach to Retaining HIPOs Isn't Enough Anymore

Keeping HIPOs with your company means maintaining the employment value that attracted them to the enterprise in the first place. This part shouldn't be a surprise; for almost a decade, we've been tracking 38 attributes that attract HIPOs to a job and the ones that matter most (see Figure 1).

But there's a twist: while these attributes are very important, they don't hold the key to HIPO retention. We compared HIPOs who are actively seeking to move to another organization with those who are not and found that both groups are quite satisfied with all five attributes.[6] So keep it up, but don't assume these will be enough.

Four factors you may not have considered can prompt HIPOs to head for the exits. Through your own efforts and by collaborating with other senior leaders, you can make progress on each action point.

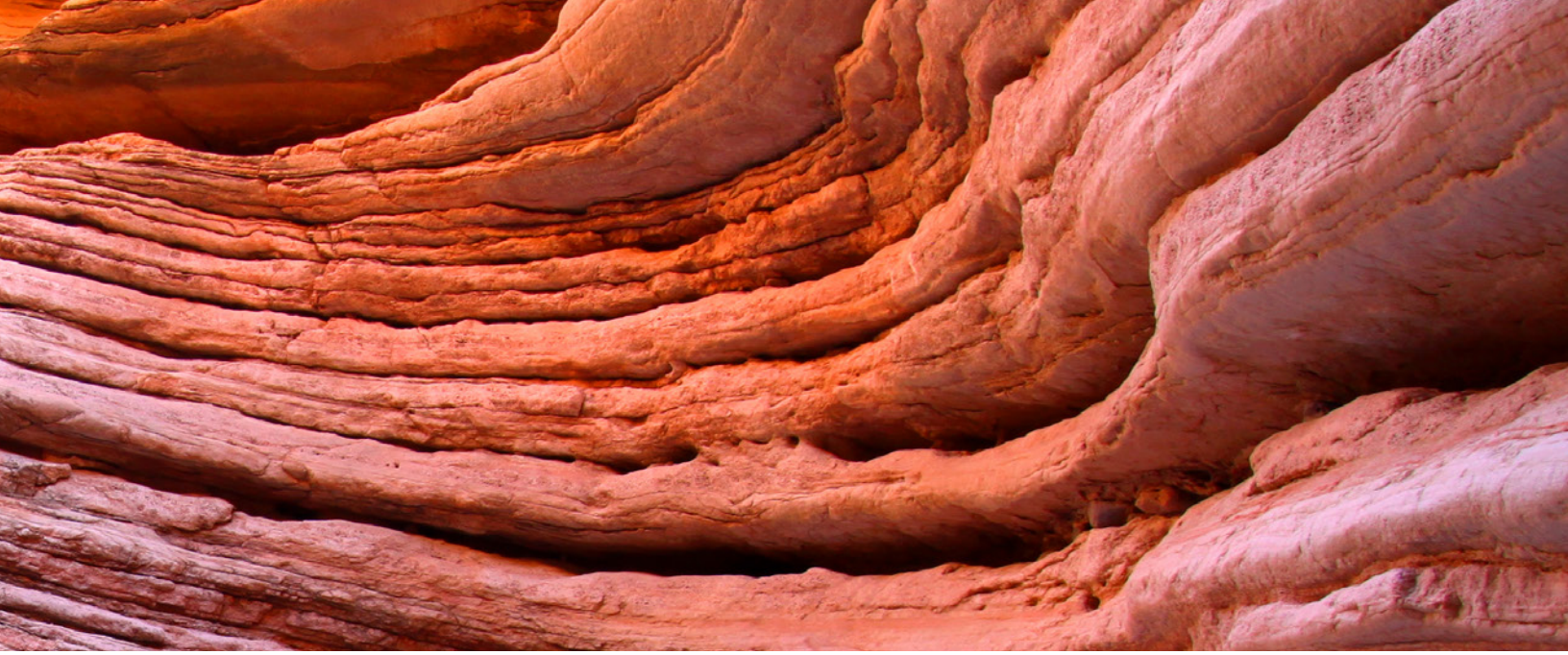


Figure 1: Top 5 Job Attributes That Attract HIPOs

- Competitiveness of the compensation package
- Extent to which the job allows balance of work and other interests
- Level of stability of the organization and job
- Degree of respect the organization shows employees
- Future career opportunities provided by the organization

Source: Gartner 2018 3Q Global Labor Market Survey

HIPOs are more likely than non-HIPOs to be actively looking for a job with another organization.

1. Protect HIPOs from Collaboration Overload

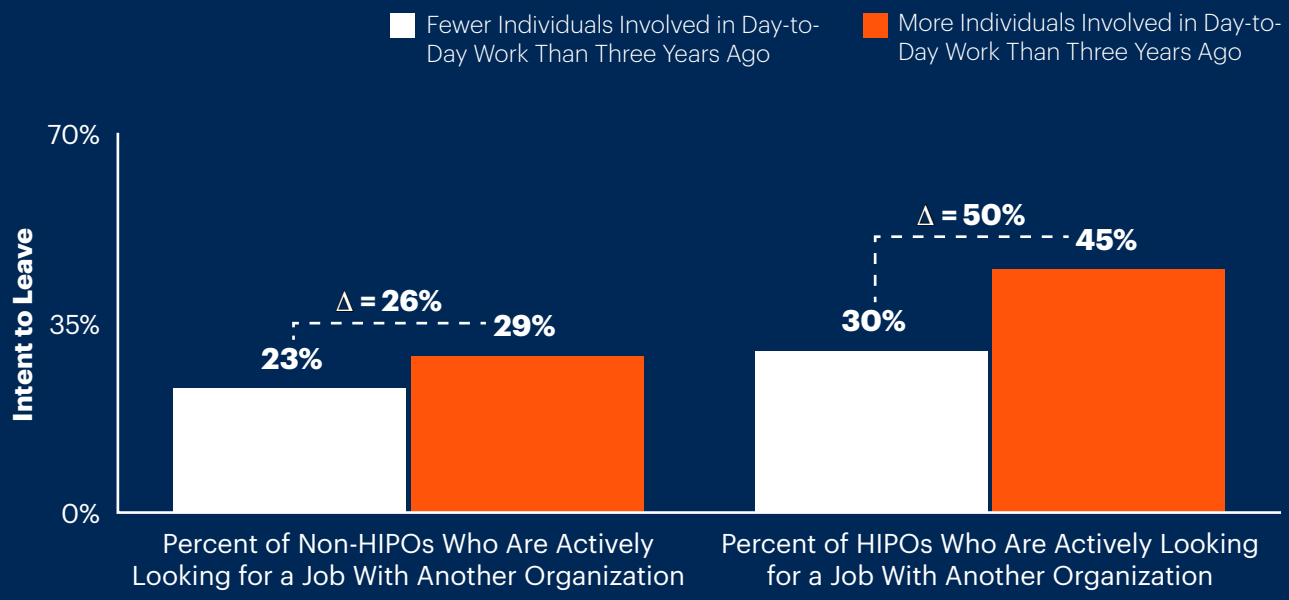
When senior executives need to pick someone to lead an important project, they are likely to give the role to a HIPO. Theoretically, the arrangement will be a win-win: The HIPO will get the opportunity to work on something challenging and engaging, and the organization will be on its way to achieving a business objective.

That's a perfectly plausible line of reasoning, and it frequently plays out in real life. The result: HIPOs feel the burden of collaboration overload acutely. More HIPOs than non-HIPOs say the number of individuals involved in their day-to-day work has increased over the past three years (51% vs. 31%, respectively).[7]

HIPOs appear to be especially sensitive to this burden; 45% of HIPOs who have experienced an increase in the number of people involved in their day-to-day work are looking for another job — as opposed to 30% of HIPOs who have experienced a decrease. The gap among non-HIPOs is much smaller: 29% and 23% respectively (see Figure 2).

What to do: Make sure HIPOs' managers routinely probe to get a full sense of what these employees have on their plates. HIPOs likely proactively take on work or contribute to projects

Figure 2: Impact of Collaboration Overload on Intent to Leave



Number of respondents = 1,052
Source: Gartner 2015 Career Employee Survey

their managers may not know about. Also, communicate to managers that you need them to coach HIPOs on how to say "no" when they are stretched too thin.

2. Firmly Address Harassment

Compared to other employees, HIPOs are particularly attuned to current conversations about different types of harassment in the workplace. While the perception of increased gender, ethnic and/or racial harassment drives all employees to seek positions elsewhere, the effect is especially strong for HIPOs (see Figure 3).

Increases in politically motivated harassment also disproportionately alienate HIPOs: 61% who have seen an increase in such harassment over the past six months are looking for a job with another company compared to only 25% who have seen a decrease. The figures for non-HIPOs are 39% and 23% respectively — a much smaller gap.[8]

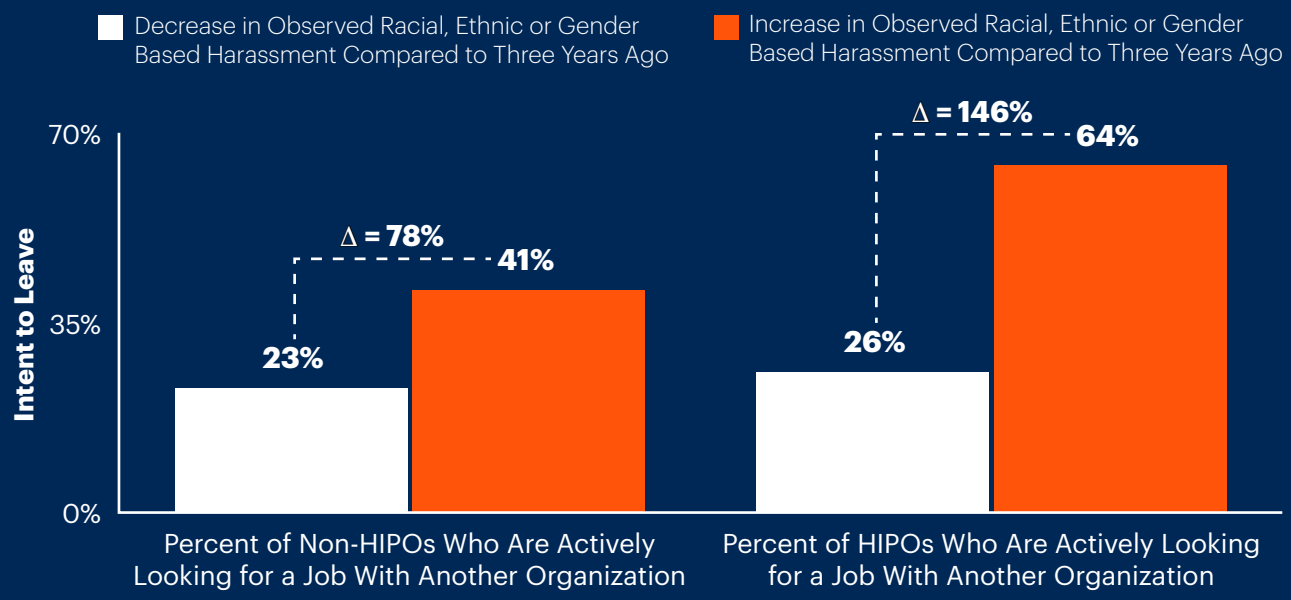
What to do: It's not enough to say you have a zero-tolerance policy and then simply react when harassment occurs, typically by handling each instance privately and case by case. Instead, start proactively promoting respectful and equitable behavior in your function. To do this, be explicit about what will happen to harassers, and communicate with employees about specific instances of harassment and their actual consequences as they happen.

For more on preventing workplace harassment, see our article from last quarter: "4 Actions CHROs Can Take to Help Prevent Workplace Harassment."

3. Be Sensitive Toward Changing Personal Circumstances

HIPOs who believe their organizations would be flexible in accommodating their needs and preferences following a life change (such as marriage, childbirth or health issues) are less likely to be looking for a new job than the average HIPO. While the same is true for non-HIPOs, this factor impacts HIPOs' intent to leave more strongly: HIPOs are 1.5 times more likely than non-HIPOs to be actively looking for a job

Figure 3: Impact of Harassment on Intent to Leave



Number of respondents = 2,505
Source: Gartner 2017 Q4 Global Labor Market Survey

with another organization if they think theirs would be inflexible (see Figure 4).[7]

What to do: Ask managers to check in with HIPOs through periodic "stay interviews" — perhaps every six to 12 months. While conventional exit interviews shed light on why employees are leaving, stay interviews give managers the opportunity to correct any potential issues *before* HIPOs step out the door. These conversations can cover many different topics, but they are a great way to learn more about HIPOs' personal preferences and needs, such as flexible work hours and teleworking arrangements.

Give managers leeway to act on the information they gather during those conversations and be as accommodating of HIPOs' needs as policies will allow.

4. Don't Give the Impression You Are Favoring External Hires

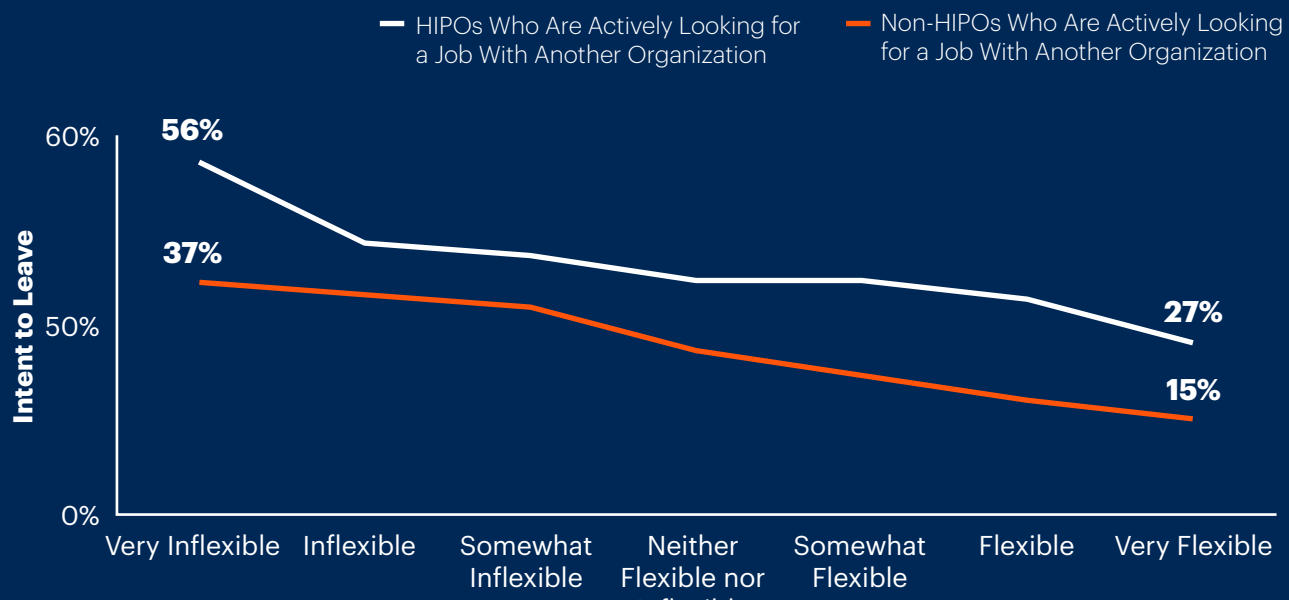
Casting a broad net can be valuable when it comes to hiring. This is especially true in today's economy; external hires can bring diversity of thought, new skills and experience in adjacent industries. And CHROs are feeling the pressure here, reporting a nondiverse leadership bench as one of the top five problems preventing their organizations from reaching their goals in 2019.

However, in addition to the economics we cited earlier, consistently overlooking your own bench when filling open roles sends a powerful negative message. It can impact HIPOs' perceptions of future career opportunities on your team or within the organization. Again, this is one of the most important factors they look for in a job.

In other words, it's not enough to show your organization has future career opportunities; you also have to give HIPOs reason to believe internal candidates like themselves can benefit from them. Employees who report that opportunities at their organizations are usually filled by external candidates are more likely to be looking for jobs elsewhere, and the effect is especially strong among HIPOs (see Figure 5).

Conversely, only 17% of HIPOs who agree that "internal applicants have a reasonable chance of getting the posted job opportunities" are looking for positions elsewhere compared to 47% of HIPOs who disagree.[7]

Figure 4: Impact of Perceived Inflexibility on Intent to Leave



Number of respondents = 2,304
Source: Gartner 2015 Career Employee Survey

What to do: To prevent HIPOs in your function from making the wrong assumptions about what past hiring practices may mean for their future opportunities, encourage HIPO managers to have transparent discussions about their reports' changing career aspirations, and keep an up-to-date record of specific internal roles HIPOs are interested in. When an opening becomes available that HIPOs in your function have expressed interest in, make sure they are included in the recruiting process.

Encourage managers to be open about the hiring decision making process. They should help HIPOs understand why external candidates were given preference for certain types of roles; for example, perhaps a recent technological development created a need for a certain skill set that no internal candidate possessed. Managers should also coach HIPOs to identify and develop the skills they need to keep up with the competition.

Take Action

As a CHRO, you can control or influence all of these factors. You:

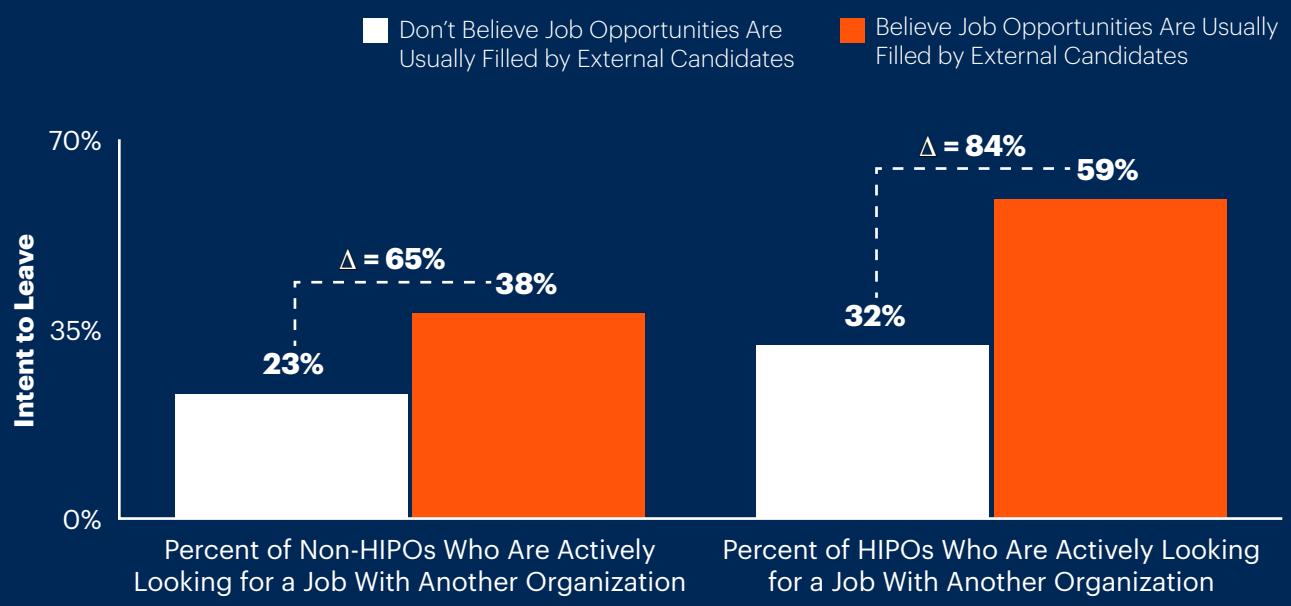
- Make decisions that affect how many other people HIPOs work with
- Are responsible for maintaining a culture in which harassment doesn't happen or, at least, is quickly addressed
- Can influence the organization's willingness to be flexible around HIPO life events
- Have a say in the external versus internal hiring strategy for leadership roles

Take advantage of these opportunities to impact HIPO retention and thereby fortify your leadership bench, creating an environment HIPOs won't want to leave.

Brian Kropp contributed to this article.

[1] Gartner 2013 Succession Management Survey; number of respondents = 203 organizations
[2] Gartner 2019 Future of HR Agenda Poll; number of respondents = 767 HR leaders
[3] Gartner 2016 HIPO Survey; number of respondents = 142 HR leaders
[4] Bloomberg. "Unemployment Rate in the G20 Countries, 29 February 2008 through 31 January 2018." Retrieved 20 February 2018 from Bloomberg terminal.
[5] Gartner 2018 3Q Global Labor Market Survey
[6] Satisfaction with the following factors among HIPOs who are actively looking versus HIPOs who are not actively looking, respectively: compensation — 82% vs. 78%; work-life balance — 85% vs. 82%; stability — 87% vs. 86%; respect — 87% vs. 87%; career opportunities — 81% vs. 77%.
[7] Gartner 2015 Career Employee Survey
[8] Gartner 2017 4Q Global Labor Market Survey

Figure 5: Impact of Perceived External Hire Favoritism on Intent to Leave



Number of respondents = 2,304
Source: Gartner 2015 Career Employee Survey

Voice of the CHRO

By **Matt Dudek, Lori Lipe** and **Evan Rhodes**

Every quarter, we interview chief HR executives to gain their perspectives on issues facing their businesses and HR functions. This quarter, we spoke with Group People and Culture Executive at Dimension Data Marilyn Chaplin about reskilling the workforce and Dimension Data's "Le Code to France" challenge.

About Marilyn Chaplin and Dimension Data

Founded in 1983, Dimension Data is an US$8 billion company that designs, optimizes and manages today's evolving technology environments to offer a fully managed service. This enables its clients to leverage data in a digital age, turn it into information and extract insights. Headquartered in the U.K., Dimension Data employs 28,000 people across 47 countries. Dimension Data is a member of the NTT Group.

Marilyn Rose Chaplin has over 30 years' experience in both the corporate and academic worlds. She has worked for major multinational companies, where she held senior marketing and HR positions, and has lectured at leading international business schools. In 1996, Marilyn founded her own business, the International Centre for Management Development (ICMD), in partnership with London Business School and Manchester Business School. ICMD was acquired by Dimension Data in October 2000, and Marilyn was appointed HR director for the Dimension Data Group in 2002. She has successfully implemented and led the people and culture strategy and aligned it with the needs of Dimension Data's growing business. Marilyn holds a Master of Business Science (cum laude) from the University of Cape Town. She was born in South Africa and now lives in London.

Thank you for speaking with us. Reskilling the workforce is an increasingly critical issue for organizations. How are you seeing the demand for skills change at Dimension Data?

Yes, there are several skills where we're seeing increased demand. The systems our clients are using will create more and more data and telemetry — the recording and transmitting of measurements. We see demand for skills in analyzing data (for example, data engineers), providing insights (for example, data scientists) and data reporting.

The availability and security of applications across hybrid IT environments means we will need more security consultants who understand cloud, identity management and access control.

Based on market demand, we are starting to deliver solutions using automation and software. This has driven a greater need for more DevOps skills, more system-testing skills and more data architecture skills. Finally, data privacy also continues to get more complex and more regulated (for example, the GDPR). So we see growing demand for consultants to help our clients understand, safeguard and secure their data.

A key to successful workforce reskilling is creating a culture of continuous learning. What are you doing in today's era of digital learning to create a continuous learning culture?

A key part of our 2020 strategy is driving a culture of lifelong learning. We focus on changing the perception of learning from face-to-face and full days in the classroom to mobile, on-demand, just-in-time learning as and when our employees need it.

We're also moving from formal learning limited to specific workforce segments to more accessible, social learning. This has been driven through our new platform, Dimension Data University (DDU) Pathways. Through DDU Pathways, learners "own" their learning journeys and are able to pick and choose from a huge variety of learning content that is grouped into learning paths to develop a specific skill or competency. The platform also allows our leaders and subject matter experts to build their own paths and contribute content, facilitating far-reaching knowledge sharing across our global organization.

To reinforce this culture, we focus on recognizing and celebrating the people who own their learning and take the time to upskill themselves to ensure they remain relevant. We are constantly

driving and sharing relevant learning — communicating how critical learning is to the achievement of our strategy.

What results have you seen so far?

We are seeing a renewed excitement for learning as our employees start to take ownership of their development and delve into the vast content available to them. Access to our learning platform and consumption of content have spiked significantly. We have seen a 300% increase in learning activity compared with the same period last year and a 400% increase compared with 24 months ago.

> We are seeing a renewed excitement for learning.

Could you give us an example of how you focus on recognizing and celebrating learning?

A few years ago, we realized we needed to build more coding capabilities in our organization, which are typically hard to find externally. We opened up to the organization an interactive, collaborative challenge called "Learn to Code" (see Figure 1). All employees could join the challenge, but we were especially good about selecting the right content for individuals who were not coders, who may not have had some educational background in computer science.

Once employees had gone through the courses and models we set up for them through the challenge, we encouraged them to share their coding results on an internal sharing platform. This kept the challenge really social and digital.

More than 3,000 people at Dimension Data took up the Learn to Code challenge. Because of this overwhelmingly positive response, we thought, "Why not give an opportunity to those individuals who had learned to code to help us innovate for our clients?"

You recently shared some fascinating work from Dimension Data's Le Code to France challenge that has helped with your journey on more continuous and social learning. What was the goal of the challenge, and how did it work?

The success of Learn to Code opened us up to the idea of Le Code to France. The goal of this new challenge was to stimulate innovation and harness the incredible ideas of our people. The challenge lasted about four weeks and was established to create a solution for the Tour de France (for which we are the official technology partner) that would:

- Revolutionize the viewing experience.
- Provide new insights to the commentators and press.
- Improve the cycling teams' performance with enhanced data.
- Showcase our capability to clients coming through our Client Experience Program. (Our Client Experience Program takes place during the live race and includes 100 of our top clients, technology vendors and media representatives who have the opportunity to learn about and experience the technology powering the Tour de France.)

We decided to take the data from the 2017 Tour and open up the challenge to all employees to use the data to innovate — giving them the opportunity to form their own teams and submit a solution they believed would take our Tour de France offering to the next level. This challenge was a global effort, and everyone was very interconnected and aware of one another's presence.

Can you share the end result of the Le Code to France challenge?

It was extraordinary what some of the original teams came up with. We had 13 teams from across the globe submit solutions, and the winning team was chosen by an internal executive panel and our client, the Amaury Sport Organisation (ASO), which organizes the Tour. The winning team was a group of four graduates on our Graduate Accelerate Program.

In their first year of work, these graduates had come together to create a team — two with technical IT backgrounds and two with more commercially focused degrees. They had only been with Dimension Data for six months prior to joining the challenge, but they saw an opportunity to collaborate and put together a brilliant solution: creating a cycling fantasy league to up the viewership of the Tour de France.

The most difficult thing was trying to actually choose the winner. We had criteria that we were very clear on from the beginning, and when we applied those criteria we were able to shortlist the finalists. Eventually, we took it to the clients and had ASO select the ultimate winner.

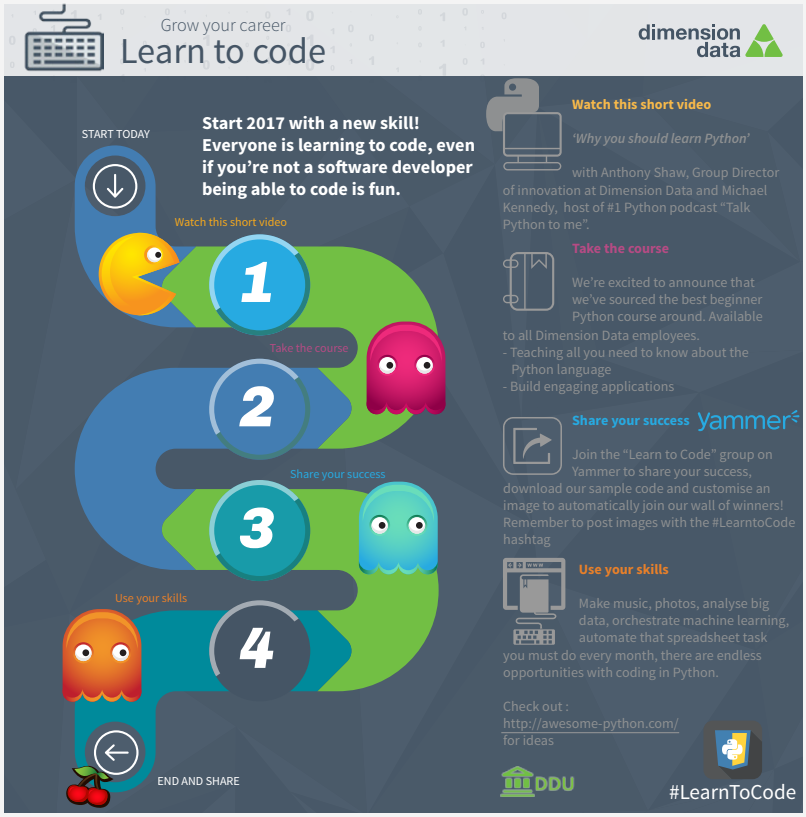
As recognition for winning the challenge, the team attended the final stage of the Tour de France in Paris, having the opportunity to see the cyclists cross the finish line on the Champs Élysées, meet the cyclists from Team Dimension Data and experience the Dimension Data technology solution behind the scenes.

What were the most surprising lessons from Le Code to France?

The innovation shown in the contest was way beyond our expectations. The solutions covered so many technologies and propositions we hadn't even considered. We had virtual reality, augmented reality, artificial intelligence, voice assistants, gamification and data analytics. The submissions weren't just from engineering teams, either; we had a broad range of job functions submit ideas — mostly technical, but a varied group.

It was phenomenal for us to realize that if you want to drive innovation, very often the capability lies within your organization. If you create a challenge that is fun and is open for anyone to participate, it's amazing what you can unlock for your clients. It caught the imagination of people in the organization who realized they would have the opportunity to contribute to our organization and clients.

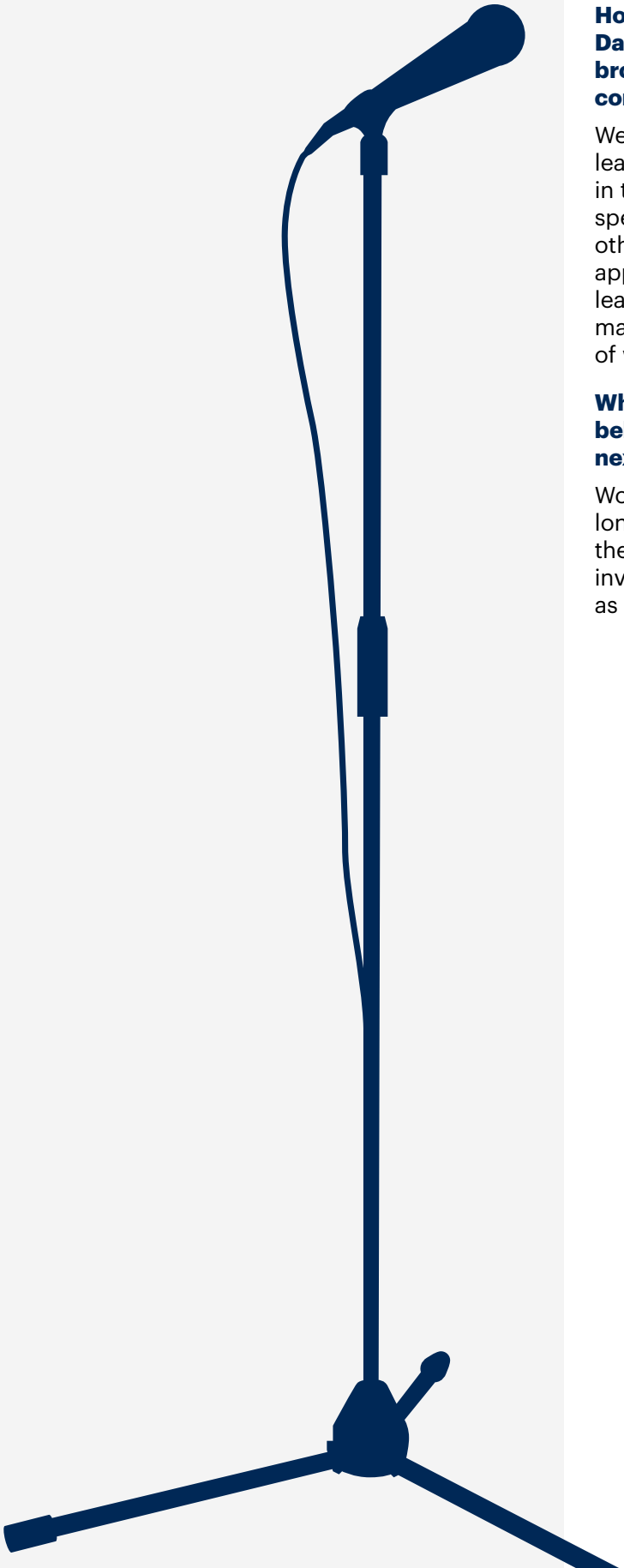
Figure 1: Dimension Data's Learn to Code Challenge



Source: Dimension Data

Figure 2: Marketing for Dimension Data's Partnership With the Tour de France

Source: Dimension Data



How are leaders' roles changing at Dimension Data amid all your work on reskilling the broader workforce through a culture of continuous learning?

We have redefined the capabilities we want our leaders throughout the organization to have in this transformation. Some of those might speak directly to this willingness to learn, while others include coaching, listening, questioning, applying and more. We expect this of our leaders. We are also training and retraining our managers on what we refer to as the "new way of working."

What is the biggest emerging trend you believe heads of HR must focus on in the next 12 months?

Workforce transformation. Businesses can no longer just organically evolve skills over time, they need to be strategically planned and invested in with as much rigor and foresight as a business strategy or financial forecast.

Leverage culture as a powerful leadership tool

Culture has become a key differentiator of how and why organizations outperform. The new "Culture in Action" e-book explains.

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22%
on employee performance

8%
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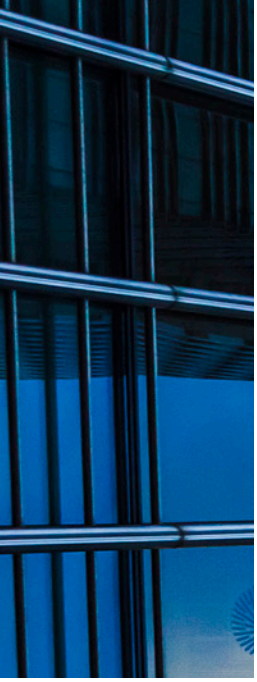


Understand Exponential Organizations, and Prepare for Change: A Conversation With Salim Ismail

By **Janelle Copek**

Author of the best-selling book "Exponential Organizations," entrepreneur and Founding Executive Director at Singularity University Salim Ismail joined Scott Engler on the Gartner Talent Angle podcast to discuss the radical change we are experiencing in the business world.

Exponential organizations such as GitHub and Airbnb, known for their adaptability and growing in number, will be the way businesses succeed in the future, predicts Salim Ismail. Just as the printing press completely transformed the world of print media, Salim argues, exponential organizations give us our own "Gutenberg moment," completely transforming business as we know it.

To keep your business successful, you must work with leaders to understand these organizations and why they are successful and to strategically plan changes that will enable your organization to succeed alongside them.

The Dangers for Traditional Organizations

Traditional business models are generally designed around scarcity. Today, however, we see that new organizations are capitalizing on abundance. Airbnb, for example, relies on people having extra space they are willing to rent. Therefore, Airbnb must spend very little money to add to its supply. A hotel chain such as Hyatt, on the other hand, must build or acquire an entire building to increase inventory. To add to this perspective, Salim explains that Hyatt has 45,000 employees managing 500 hotels around the world, while Airbnb has 2,000 employees managing 200,000 properties around the world.

Traditional corporate hierarchy is another problem Salim highlights in today's organizations. Describing it as top-down and slow-moving, Salim believes this structure itself halts innovation. While being process-driven helps ensure alignment of activities in the pursuit of a common goal, at traditional companies, innovation is wasted on "hacking" existing processes rather than creating new products or business lines.

Taking advantage of today's technology by using on-demand staff, high customer engagement, employee autonomy and real-time live dashboards, an **exponential organization** has an impact that delivers at least a 10 times greater performance improvement than competitors in the same space.

It's not surprising, then, that thriving exponential organizations don't use traditional business structures. Valve, for example, a software company with around 400 employees, has adopted a "beehive" structure. It has no hierarchy — no middle management, no job descriptions — just employees who determine for themselves what they should work on. Valve earns more revenue per employee with this beehive structure of autonomous employees than Microsoft. On-demand staffing, an attribute of exponential organizations such as Airbnb and Uber, is also seen more often. It is predicted to continue to grow in popularity, although it doesn't fit into the traditional organizational structure.

One of the biggest issues with traditional organizations, according to Salim, is what he calls "the immune system response." This is the reflex of traditional organizations to avoid change and risk. Rather than innovating and acting on new ideas, organizations tend to push back against ideas that are radically different. For example, the first Tesla — the Tesla Roadster — could not have been built by a regular car company simply because it is substantially different from traditional cars. As Salim explains, it takes too long in traditional thinking to bring the whole company and all its leaders along to new innovative ideas. And if it ever does happen, the result is likely diluted and incremental at best.

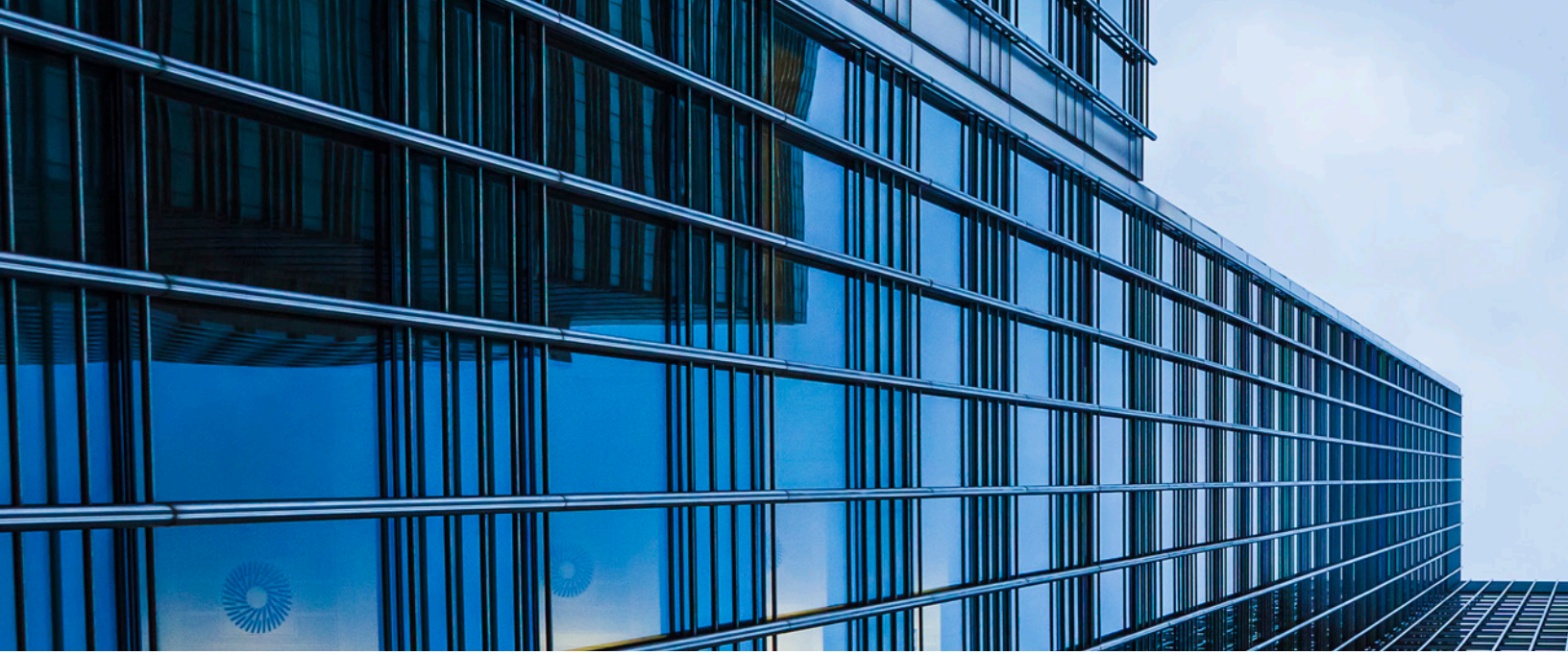
"In any company, it's easy to say 'no' to an idea."

Salim Ismail
Executive Director
Singularity University

The Advantages of Exponential Organizations

These problems are why Salim believes so strongly in the idea of exponential organizations. These organizations are structured to adapt and thrive in today's fast-changing work environment. Salim presents these organizations as not just the current most successful organizations but also what is to be expected in the future. With assets and staff on demand, low customer acquisition costs and low supply costs, exponential organizations operate more efficiently and effectively than traditional organizations.

Salim also offers strategic ideas for how traditional organizations can innovate along with these exponential organizations. Avoiding the immune system response is essential. It starts with what Salim describes as "your crazy change



agents, the ones who are super talented but you never know whether to fire them or not." He suggests taking these people to the edge of the organization and asking them to innovate outward into adjacent industries.

An example Salim uses to model this approach is Nestlé's Nespresso. This new product used a completely different business model and was a completely different brand. It was something radically different for Nestlé, yet as Salim shares, the product earned $6 billion only five or six years after it launched. Products like this act as "a lifeboat off the mothership in case the Titanic hits an iceberg," giving organizations more growth opportunities in varied industries. Salim also recommends keeping such teams stealthy to avoid upsetting colleagues and adding process constraints.

Google and Apple frequently utilize disruptive innovation like this.

Amazon has also taken steps to encourage innovation by creating a formal policy around saying "no." Salim discusses how, at Amazon, saying "no" to an internal idea requires a two-page thesis explaining why the idea is bad. And this thesis needs to be public.

Exponential Organizations Are Built for Future Disruption

Exponential organizations are successful because of their flexibility. The speed with which technology is advancing requires adaptability to be a part of the business model. Rather than setting up systems to withstand change and risk, companies should plan for disruption.

With all technologies doubling in capability every year or two — for example, drones could carry 20 pounds in 2013 but carry up to 500 pounds today — Salim asserts that no industry is safe from disruption by exponential organizations. Even seemingly unrelated technologies can impact business. The best car wash business in the world will see a decrease in business if weather technology keeps improving; this seemingly unrelated technology might make people less inclined to wash their cars when it rains.

No matter how good your business strategy, technology both within and outside your industry will drive change.

Change to Survive

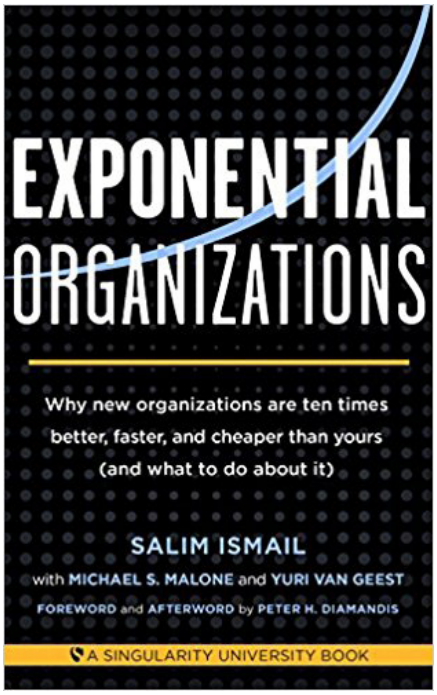
Salim's organization, ExO Works, asserts "If you're not disrupting yourself, someone else is." Change is happening, and it's happening fast. While Salim believes only organizations able to aggressively adapt will do well, he believes there is hope in change.

The First Steps You Can Take

Work with leaders to encourage innovation by defaulting to "yes." Our current research shows leaders believe in taking risks, yet they

aren't; leaders have the skill and the will to drive innovation, yet we don't see it actually happening. It is important for leaders to identify the cause of this inconsistency. What organizational barriers are hindering innovation?

Traditional organizations must also undergo a culture change that encourages ideas, innovation and flexibility, which ultimately will help drive continued success. Our research indicates that to achieve desired results, organizations must invest in processes that target knowledge, mindset and behavior simultaneously. You can learn more about organizational culture change and best practices for becoming a more exponential organization on our Organizational Culture content hub.



For more information on this research, and to prepare to be an effective leader in an increasingly digital business environment, please register for our meeting series, "Creating a Talent Strategy for the Digital Age."

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