Insights from 85 Human Resources Thought Leaders *Shaping the Future of Work*

THE AGE OF HR

Delivering Stakeholder Value Through Strategic Organizational Capability: Talent, Leadership, and Culture

Edited by

Anthony J. Nyberg, Rebecca R. Kehoe, Dave Ulrich, and Patrick M. Wright

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Darla Moore School of Business | University of South Carolina

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CHAPTER 1

HR at an Inflection Point: Four Pivots for Stakeholder HR

By Dave Ulrich

If there was ever a time to reinvent HR, it's now. Economic uncertainty, rapid advances in AI, political polarization, shifting social expectations around well-being and personalization, changing demographics, and big questions about the future of work have pushed people and organizations into the spotlight. Business success increasingly depends on how well a company navigates those human realities.

These forces create an inflection point—a moment when the fundamentals change. Andy Grove of Intel used the term for moments that force companies to pivot or get left behind. We've seen the consequences when organizations miss the turn. Not every company makes the pivot, which is why only a small fraction of the original Fortune 500 remains in 2026. HR is at exactly such a turning point, and the evidence is everywhere. Executives now place people on the same tier as technology and market uncertainty when naming their top challenges. Global business forums focus more and more on organization and culture. In the U.S., the SEC requires "human capital" reporting, signaling that people issues materially affect market value. Companies invest in employee well-being, hybrid work, personalized learning, and community impact. Intangibles drive most market valuation today, and people-related factors account for a hefty share of those intangibles. Mobility is high, engagement has softened, so investors, boards, and business leaders are paying attention, and HR must evolve — faster than usual.

The HR field continues to evolve in four layers that build on one another. First comes Personnel: the classic focus on support HR with terms and conditions of work, compliance, and efficient processes. Then Human Resources: functional HR expertise in practices like hiring, development, rewards, communication, organization design and HR operating models with roles, responsibilities, and competencies. Next is Human Capital: strategic HR by aligning talent with strategy and acting as a strategic partner. And finally, Human Capability: a broader, stakeholder HR agenda where business and HR leaders create value for all stakeholders—employees, customers, investors, and communities—using analytics and AI to guide what they do. The first three layers still matter and must be done well. The fourth is the inflection point (see Figure 1.1) with four pivots.

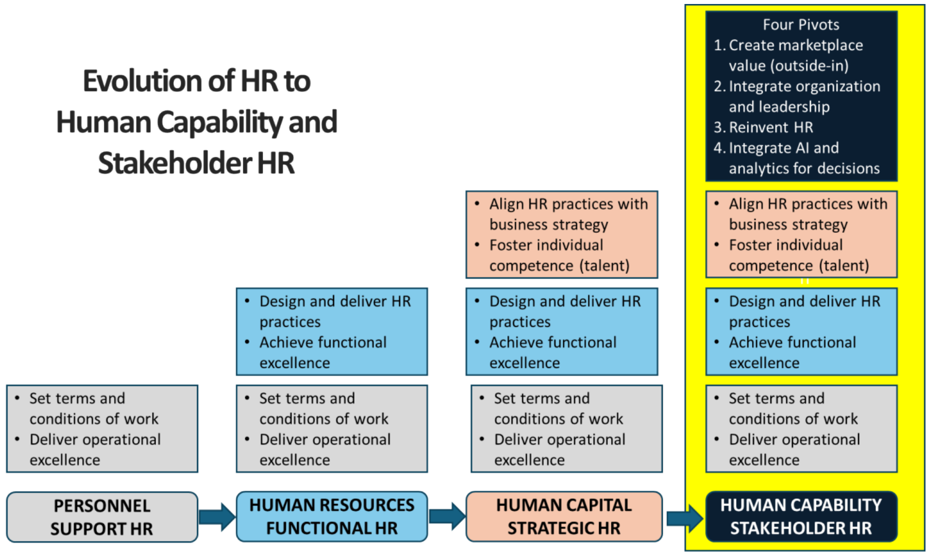

Figure 1.1 Evolution of HR to Stakeholder HR

Stakeholder HR Pivot 1 (Why): Make HR About Human Value, Not HR Activity

When we say "human" in human resources, we usually mean the people on the payroll. But many humans are invested in a company's success: executives and board members, customers and investors, communities and partners. If you start there, HR shifts from designing internal policies to creating value that these people can feel.

This logic frames initiatives with an "outside-in" mindset. Instead of focusing on HR practices, add two words: so that. Implement GenAI so that decisions are better and stakeholders' needs are met. Build leadership bench so that market confidence grows. Create a skills-based organization so that customers experience a clear, differentiated offer. Manage hybrid work so that responsiveness improves. Improve employee experience so that customer experience—and community reputation—rises. Those two words move the focus from practice to value (see Figure 1.2).

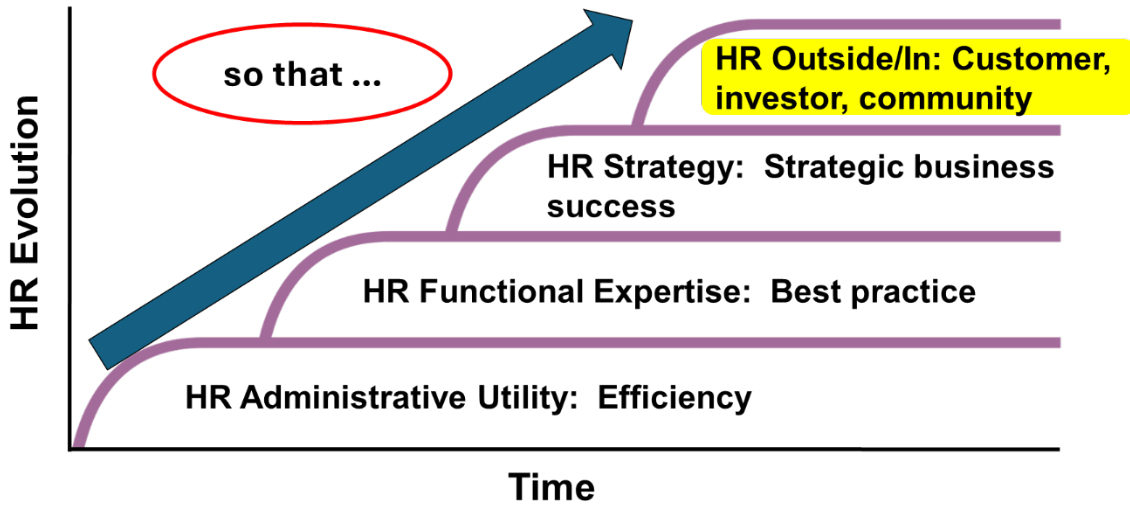

Figure 1.2 "So That" Prompt for Delivering More Value

With stakeholder HR logic, HR becomes a leading indicator of business results. Financials are lagging—they report what happened. Customer experience and investor confidence point to what will happen next. If human capability shapes those leading signals, it has the most leverage.

The takeaway is simple: start every HR conversation with the value it will create for humans—inside and outside the organization—and then design backward from there.

Stakeholder HR Pivot 2 (What): Offer a Complete Human Capability Agenda

To deliver stakeholder HR requires knowing what to do. That's harder than it sounds because the HR universe is noisy. On any given day you'll see dozens of excellent talks, articles, podcasts, tools, and startups—each smart on its own, overwhelming in aggregate.

Every mature discipline uses taxonomies—ways to sort things into meaningful groups—so people can build knowledge instead of drowning in it. We do this instinctively in daily life. Imagine a restaurant without sections on the menu. Or a doctor without categories for symptoms and treatments. HR needs the same order.

An integrated human capability framework helps in five ways. It standardizes language so new ideas plug into an accepted map instead of feeling like fads. It simplifies complexity so people can find what they need. It clarifies outcomes, not just activities. It supports decisions about what to do first and what to leave for later. And it lets analytics accumulate into real insight rather than isolated case studies. With AI producing more content than anyone can read, that kind of scaffolding is essential.

Let me propose a human capability taxonomy with four stable domains that exist in any organization. Talent is the individual competence and skills of the workforce (often called human capital). Leadership is both individual leaders and the shared capability of leadership across levels. Organization is how people work together—teams, processes, culture, capabilities like agility and customer centricity. And the HR function is the infrastructure—the purpose, people, design, practices, and measures that make everything else work. Within these domains sits a wide, evolving set of initiatives. Conferences often spotlight dozens of topics; the framework simply gives them a home.

In our research we've identified thirty-eight common initiatives across the four domains (see Figure 1.3). The exact list will evolve, but the four-box map remains steady, which makes it easier to navigate new ideas without starting from scratch each time.

Figure 1.3 Four Human Capability Domains and 38 Initiatives

When executive teams apply this framework, conversations change. Instead of jumping straight to a pet program—say, talent acquisition—they begin with the stakeholder value they want to create. They consider all four domains and choose the most powerful place to start, confirming through research that talent acquisition will deliver the biggest lift for customers and investors right now. They agree on concrete actions and on how to measure both execution and impact. And they sequence the remaining domains into a coherent plan instead of a patchwork of disconnected efforts.

Stakeholder HR Pivot 3 (Who): Share Accountability—and Be Explicit

Great ideas without owners fade quickly. So, who is accountable for human capability? Line leaders own results and therefore own the people, organization, and leadership choices that create those results. HR partners bring expertise, but primary accountability sits with the business.

For business leaders, that accountability includes a few visible habits. Make human capability philosophy public and tie it to stakeholder value. Talk about it in investor calls, town halls, social media, and everyday conversations. Put people metrics on leadership scorecards with enough weight to matter. Spend real time on succession, talent reviews, development, culture, and the teamwork you personally model. Stay current on trends. Hold managers responsible for the quality and depth of their teams and track the progress of high-potential talent.

HR professionals, acting as business partners, earn their seat by doing the basics brilliantly and by tying every practice to stakeholder outcomes. They coach leaders to become better people managers. They facilitate the messy work of change and transformation. They use analytics to prioritize what works, and they ensure every talent process has consequences—for doing it well and for neglecting it. They speak candidly about what's helping or hurting sustainable value, even when it's uncomfortable.

Employees own their careers. That means clarifying what success looks like, diagnosing strengths and gaps, taking actions that build capability, and matching expectations to contribution.

Stakeholder HR Pivot 4 (How): Let Analytics and AI Raise the Game

AI is changing HR not with a single magic trick but by weaving into everything we do. Think of it the way business schools treat ethics: there might be a dedicated course, but the topic belongs in finance, strategy, marketing, operations, and HR as well. In the same way, AI combines with HI (Human Ingenuity) to generate insight, improve decisions, and make practices more efficient and more human at the same time. AI with HI is a means to stakeholder HR value creation, not an end in itself. See how AI and HI work together to create a talent advantage (see Figure 1.4).

Dimension	AI (Artificial Intelligence)	HI (Human Ingenuity)
Predominant Question	What happened?	Why did this happen?
Competitive Positioning	Parity to do what others do with talent?	Advantage to differentiate from others through talent
Time Horizon	Summary of the past talent work with optimization and patterns	Creation of future talent with imagination and breakthroughs
Outcome	Efficiency to save time with accuracy and speed of accessing talent information	Meaning that comes from living values, providing empathy and emotion, and building energy
Learning Foundation	Objective talent and analytics	Subjective experience, intuition, and wisdom about talent
Problem Solving Logic	Converge to offer the right talent solution	Diverge to solicit more talent opinions
Connection Channels	Ideas and concepts	People and relationships
Highlights	Processes to improve talent	Purposes for talent achievements
Ethics and Judgement	Follows programmed rules	Relies on moral reasoning
Trust Building Method	Task automation	Personal relationships
Design Logic	Used by a few; delivered to many	Create with many; delivered to one (personalized)
Accountability, Responsibility	Talent tools without accountability	Accountable and responsible for building talent

Figure 1.4 AI and HI Complementary Contributions to Talent

Pivot Points: HR Is Less About HR

HR is less about HR than creating value for humans—employees and executives inside the organization, and customers, investors, and communities outside it. We evolve to stakeholder HR by building an integrated framework for human capability, by sharing accountability for making it real, and by using analytics and AI to focus on what works (see Figure 1.5).

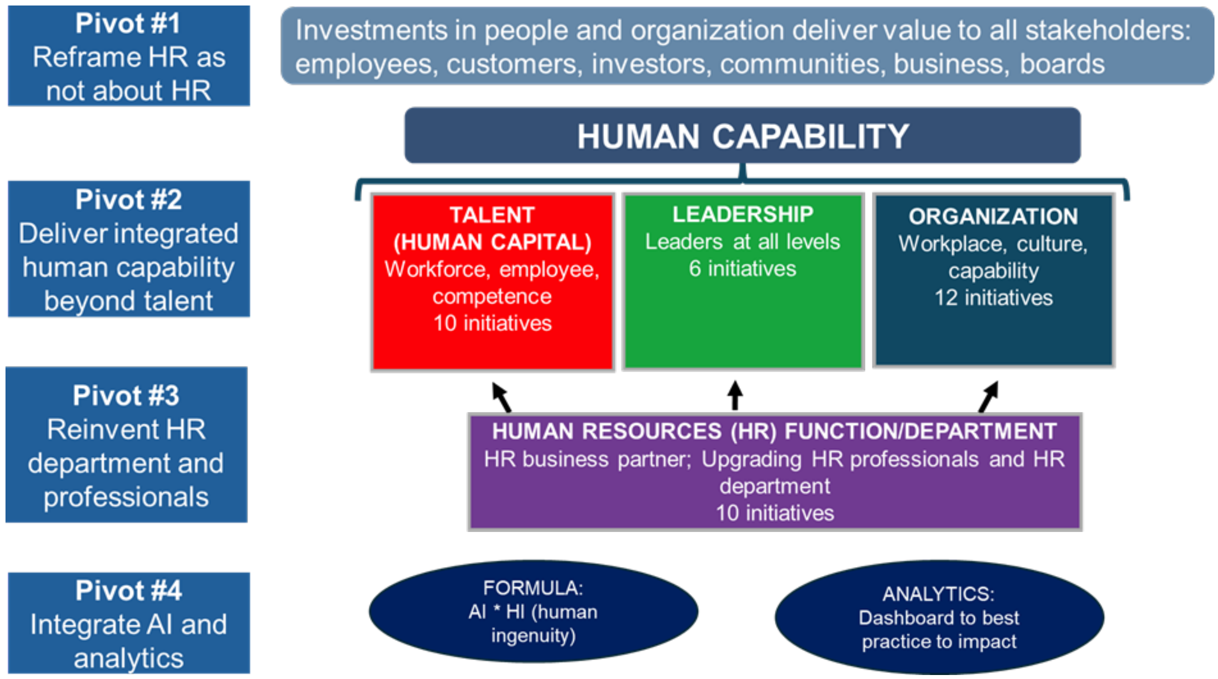

Figure 1.5 Four Pivots for the HR Inflection Point

Age of HR: Logic for this Book

The four pivot points provide the logic for this edited anthology. With many others, we believe that the "Age of AI" must be complemented with the "Age of HR." AI provides unique access to legacy information (genAI) and tools for improving HR efficiencies (AgenticAI and AI bots). But in the quest for stakeholder value, the parity from AI is not sufficient without HR which provides creativity/innovation, emotion/passion, future vision, and personal connection. AI without HR remains informative but not differentiating.

To discover what the "Age of HR" means, we turned to over 70 global thought leaders in the human resource space. These thought leaders include current or former heads of HR in leading organizations with proven track records of impact, scholars with rigorous studies of HR processes, and advisors who have collectively worked with the majority of the global 500. We asked them a relatively simple question: What should future HR leaders be, know, and do to have more impact? We invited a 1500 word essay with their insights (ideas, evidence, and solutions). We had an amazing response. The chapters in this book represent the reflections from these leading thinkers who have and will shape how the HR profession responds to this inflection point.

As we reviewed these remarkable essays, we found that they fell into an overall four-stage logic for HR value creation that create seven sections for this book (See Figure 1.6).

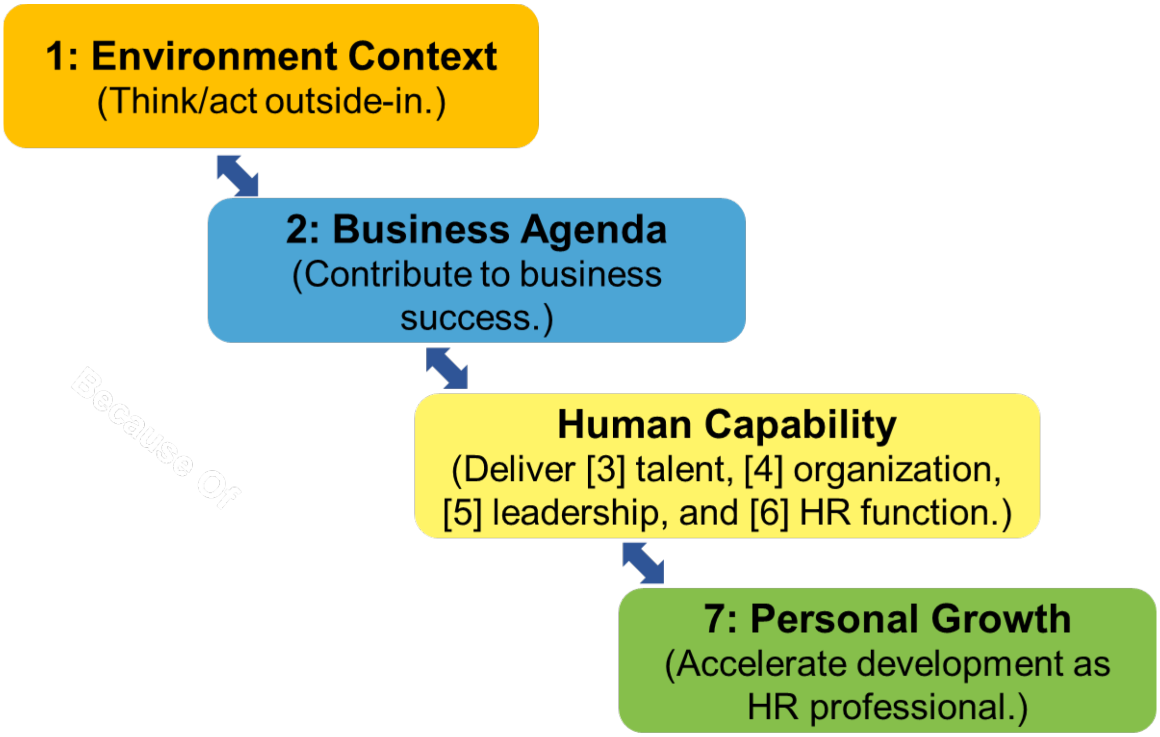

Figure 1.6 Logic for HR Value Creation and Sections for Age of HR

Section 1: Context: External world conditions (social, demographic, economic, and political trends) continue to change rapidly, which increases uncertainty overall. In particular, the rapid increase of AI as technology innovation requires adaptation. To add value to all stakeholders (pivot point 1), HR professionals need to understand and be able to adapt to changing context.

Section 2: Business Agenda: For years, HR wanted to "get to the table" and be involved in business discussions. Today, strategic realization is intimately connected to HR's role in both defining strategic options and in making them happen. Business financial performance (both growth and cost) are also tied to managing people to be more productive and organizations to be more innovative and efficient. HR professionals are contributing members of the management team at every level of the organization which includes facilitation, designing, delivering and coaching work.

Human Capability. As noted above, the human capability framework (Figure 3), lays out choices in talent, leadership, organization, and the HR function where investments can be made to deliver more value (pivot point #2). These sections of the book offer innovative insights in each of these four domains of human capability.

Section 3: Human Capability: Talent. By whatever name (human capital, employee, competence, skills, workforce), the people who work in the organization are the core ingredients that make organizations work. HR practices around people (selection, development, promotion, compensation, engagement) can be designed and delivers to ensure talent to deliver value.

Section 4: Human Capability: Organization. While people matter, how they work together matters even more. An organization capability is what the organization is known for and good at doing, which might include culture, agility, innovation, efficiency, or collaboration. HR professions turn individual competencies into these organization capabilities to make the organization collective more than individual parts.

Section 5: Human Capability: Leadership. Individual leaders make a difference in the lives of those they lead. They set direction, ensure execution, manage people today, invest in systems for tomorrow, and demonstrate personal proficiency. HR professionals can create leadership systems that ensure quality of leadership at all levels of the organization. In times of change and uncertainty, leaders offer continuity and hope for the future.

Section 6: Human Capability: HR Function. The HR function or department operates as a business within the business to deliver stakeholder value through talent, leadership, and organization. This means that the HR department needs measurable outcomes, vision, governance, analytics, and relationships to be effective (pivot point #3). In addition to HR department effectiveness, HR professionals have competencies they should master so that they have positive contribution. With analytics and AI (pivot point #4), HR for HR becomes a basis for improvement.

Section 7: Personal Growth. HR professional expectations and roles have evolved over time. As HR business partners, they are expected to broaden their capacity to have lasting impact. HR professionals need to be credible, act with courage, engage in impactful conversations, and have an executive presence to make a difference.

The chapters in each of these seven sections offer a blueprint for the Age of HR, not only with ideas, but specific actions and tools that can be learned and applied.

This book is for any aspiring HR professional who wants to meet tomorrow's expectations. And we should note the incredible collaboration in preparing this book. Like any field, individual players and organizations often compete for market presence. We are awed and impressed with the breadth of contributors who are committed to a higher cause, or developing value for all stakeholders and are willing to share ideas on how to do so. While disagreements and debates occur in the HR field, even more, there is a shared commitment to a higher purpose of impacting lives through HR work.

PART I

Business Context

Mastering the Context to Deliver the Right Content

SECTION INTRODUCTION

Business Context: Mastering the Context to Deliver the Right Content

By Dave Ulrich

The aphorism—Content is king. Context is kingdom—sets the stage for the Age of HR. Content creates value, but context determines impact. There is no question that today's business context is changing dramatically along multiple dimensions. Context includes general business conditions around social, technology (AI), economic, political, environmental, and demographic (STEPED) trends. Context also includes the pace and type of these trends, popularized by VUCA or its permutations BANI (brittle, anxious, nonlinear, incomprehensible) or FLUX (fast, liquid, unpredictable, complex). And, context deals with the ecosystem of stakeholders who include all "humans" who engage with and derive from an organization. The combination of trends, pace, and stakeholders creates ever-evolving settings, or the kingdom, for the Age of HR. The content throughout this book matters because this context requires change for contribution. All eight of these essays revolve around an inflection point where trends, pace, and stakeholders place HR issues at the center of work today. Global leader conferences (e.g., Davos, WOBI), government regulation (e.g., SEC human capital requirements), board conversations (e.g., NACD), societal mental health discussions (e.g., Gallup engagement data), and social movements (e.g., Braver Angels, Disagree Better) all revolve around managing people, leaders, and organizations in a different way.

This section offers innovative and specific ways HR leaders understand context so that their content has sustainable impact.

Cheese, with decades of experience overseeing and evolving the HR profession, highlights the opportunities and challenges for the HR profession in the fifth Industrial Revolution focused on societal goals, human well-being, and system resilience.

Gratton, who has become a global advocate of the 100-year life, suggests how work lives evolve with living longer. Her insights change how to think about careers, skills, relationships, learning, and productivity.

Graham and Ulrich identify AI, geopolitical, and demographic inflection points, then suggest HR as the architect of business success by paying attention to personal development and systemic capability building.

Nyberg, Collings, and Weller suggest that to overcome employee anxiety and ensure successful AI adoption, organizations must practice strategic "AI Disclosure," transparently communicating the intent, impact, and governance of AI to build trust.

Siegel offers insights on how to earn trust and add value in the boardroom. CHROs must move beyond “HR-speak” and lead clear, accountable discussions on succession planning, strategy execution through workforce planning, and holistic HR risk mitigation.

Wright traces the historical evolution of the CHRO role, demonstrating how shifting Board priorities—from executive pay scandals to the current focus on AI—have directly dictated the expansion of HR’s responsibilities.

Yeung explores the impact of AI on the future of work. AGI will transform how work is done across industries where knowledge work is required. To leverage AI capabilities, organizations will need to empower employees, flatten organizations, encourage innovation, and define values and ethics. HR will play a major role in making this happen.

CHAPTER 3

Challenges and Opportunities for the HR Profession in a Changing World of Work

By Peter Cheese

Responding to a Dynamic World

It is not an exaggeration to say that we are at an inflection point in the world of work. Social and demographic change and expectations of work, rapid acceleration in AI and automation, geopolitical and economic uncertainty, regulatory changes, and labour market challenges are all forcing different thinking and our ability to rapidly adapt to a more uncertain future.

Jobs, skills, organisations and operating models are evolving at an increasing rate, and not only business leaders, but also regulators and investors are trying to keep up. But so are other critical stakeholders, including our workforces. Career paths are changing, becoming 'squiggly' as the nature of jobs and opportunities shift. The importance of lifelong learning and supporting people into work through many different routes with better job coaching to mitigate against people being left behind are now significant governmental agendas.

For many people the pace of change is unsettling as the so-called fourth industrial revolution unfolds, which recognises how AI and automation are now becoming integrated with people in shaping the future of work.

Yet many aspects of how we still work would be recognisable from the early industrial revolutions. Rigid patterns of work, hierarchical organisational models, command and control, and ongoing concerns about fairness, stress and balance of work and life. We can see in many countries productivity has been stagnating, toxic work cultures too frequently persist, levels of stress keep rising, divisions are growing and too many are left behind. All of which not only impact business and economic outcomes, but also societal outcomes.

Much in the world of work therefore needs to adapt and transform, and positive change is happening. These are all big agendas for our profession and the role we need to play in shaping the future of work and organisations, and managing people risks while supporting business strategy and outcomes. And we will need to step up.

Shaping the Future

As has been said, prediction is difficult, especially about the future. But in turn, the best way to predict the future is to help shape it. That is the opportunity that lies ahead, where our role as a profession in the Age of HR is to help shape a future of responsible and sustainable business, good jobs and work, supportive and inclusive cultures and leadership. Work should be good for all of us, developing our talents, giving meaning and purpose, creating social connection and cohesion, and supporting wellbeing. In turn these drive positive outcomes for business and our economies as well as society. These should be guiding principles for the future of work.

The wider values of sustainable and responsible business are being described as the fifth industrial revolution or Industry 5.0, centring business around its responsibility to all stakeholders and creating long term value. Success being understood, not just about how much we can produce, but what value do we create and for whom, also prioritising societal goals, human wellbeing, and systemic resilience, and doing well by doing good. However, movements like ESG that reflect these ideas can struggle to get traction in tougher economic times and current regulatory landscapes vary widely.

These should be inspiring goals as a wider purpose on which HR can build it's future, and highlight that we are in the Age of HR, not just as a profession but as a way of thinking. Principles led, evidence based, and outcomes driven.

So, this is a very important time to look up and look out, to collaborate, and to acknowledge where we need to reposition what we do and where we need to strengthen our capabilities, our confidence and our courage to act. We have to be prepared to experiment and innovate, set aside the crutches of best practice when what we really need is what is best fit, and to invest more in our own skills and professional development.

Positioning the HR Profession for the Future

The HR profession has been playing a critical role in leading and responding to many of the changes that are emerging, and it hasn’t been easy. We have to balance our critical roles in managing the people cost in the business, with managing people risk and compliance to employment regulation, and demonstrating the value we add to business outcomes.

Over the last couple of decades, the profession has significantly grown its influence and impact, and its size. We have made progress in humanising work and working environments with a stronger focus in areas such as wellbeing, engagement, inclusion, wider benefits and support, and how to align positive cultures.

However, not everyone views or experiences the position or growth of HR as positive. It still is a function that can be misunderstood, being seen predominantly about control rather than enablement. We don’t have to look far to find negative stories about HR not adding value and not understanding the business or business outcomes. Everyone interacts with HR, sometimes at the most difficult points in their working lives, so everyone has an opinion. Managing risks and compliance to employment regulations or restructuring to reduce costs are not going to win us popularity contests, but they are a necessary part of what we do.

So we must face these concerns, and most are not new, and ensure we are focusing on evidence and value outcomes not just processes and input. Better quantitative and qualitative data and analytics capabilities to drive insights must continue to be a focus, and AI is helping us. Cost and risk can be seen as the "denominator" but HR should also be able to articulate and drive the "numerator" that adds value to our businesses and ultimately to each stakeholder.

HR therefore is both a control function and an enablement function. We can and must use AI to make more of our administrative and transactional work efficient and effective, reinventing learning and skills assessment, and automating or democratising HR activities. We need to find ways of simplifying, rationalising our myriad policies, and engaging and empowering leaders at every level. By doing this, it gives us more space to engage on the strategic and value-adding roles we need to play at the heart of business strategy enabling positive change.

Working Collaboratively and Thinking Holistically

To get there, the ability of HR as a function to think and work more systemically will be critical. Working not only across our different specialisms, but also with other functions. There are increasing examples of HR coming together directly with comms, facilities and now even IT to reinforce these collaborations.

HR has a shared agenda with the finance function to better understand value of people, of culture and capabilities, and the longer-term returns on investments which make up such a large part of the so-called 'intangible' value of enterprises. We need to agree and align the measures and metrics that bring these values to life and strengthen the understanding of how our HR initiatives drive business outcomes, including productivity and market value.

Brand, communications, and marketing all have roles in supporting change, in clarity of organisational narrative and purpose, and therefore are also opportunities for collaboration. It is important that HR aligns its employee value propositions to corporate positioning of brand and purpose, and that culture and behaviours sustain these. These are areas of expertise our marketing colleagues can support.

But perhaps most importantly for the future we need to work alongside the digital and technology teams that are bringing us the exciting new tools which will allow us to design the jobs of the future, including how we can transform processes and capabilities within the HR function. There are both huge practical and ethical questions emerging on the use of AI and automation which HR must be a part of. The HR profession should have a strong voice and influence, bringing all the people, skills and organisational elements together with the understanding of AI and automation.

Investing in Ourselves

To get there we need to invest more in ourselves to build the confidence, courage, credibility and capability that will be needed.

Too often HR has been the proverbial shoemaker's children going barefoot—worrying about everyone else's skills and organisational capabilities but not doing enough for ourselves. We will need more diverse skills to build for the future, including awareness and understanding of AI, more analytical skills, change management, process analysis, job design, organisation and operating model design, and strategic workforce planning, alongside all the areas of talent management we know well.

Being professionally qualified and recognised, just as we see in our colleagues in finance, should be more of the norm. That helps build our credibility and confidence, but also the trust and respect we need from others. And strengthening our shared professional communities so we can learn from each other and build on the innovation happening across the HR profession.

The future is emerging fast, but at different speeds and in different ways, which leads to the observation that the future is already here, but it is unevenly distributed. Let's make sure we are part of it.

CHAPTER 4

The Next Crossroads for HR: HR as the Architect of Business Success

By Anita Graham and Mike Ulrich

The New Inflection Point: Forces Shaping HR's Future

The decade leading up to the COVID pandemic offered many transformational opportunities for the HR function, but in 2020 the COVID-19 pandemic fully thrust HR into the organizational vortex. Many HR functions rose to the occasion and became the nerve center of crisis management. They designed remote work policies overnight, implemented health and safety protocols and managed unprecedented levels of uncertainty. In many organizations, HR became the most critical function—proving its strategic value beyond doubt. Yet in other instances HR failed to deliver strategic insights and solutions, giving up its "seat-at-the-table" to business functions that could. The world feels massively different, and so does the mandate for HR. The next decade will be shaped by forces that demand not incremental change but reinvention. Among the most powerful drivers:

The Meteoric Rise of AI

AI is here, and its impact is profound. AI will continuously redefine talent needs as organizational value chains are transformed by advanced technologies, data, automation, and product innovation. HR must anticipate how AI will reshape roles, skills, and organizational structures. AI is also fundamentally changing the role of the IT Function and the HR / IT partnership.

Traditionally focused on infrastructure, security, and systems maintenance, IT is now becoming a strategic enabler of innovation, responsible for integrating AI into core business processes, managing data governance, and ensuring ethical and secure deployment of advanced technologies. The pressure to demonstrate the ROI on massive IT investments is already building. HR must partner with IT in new ways to ensure effective end-to-end tech adoption from a people, culture and skills standpoint, and must also lead in architecting workflows, job design, and workforce readiness.

Sustained Geopolitical and Economic Uncertainty

Global instability—from political tensions to economic pressures—will require organizations to embrace scenario planning and hyper-adaptability. HR will play a critical role in building workforce resilience, designing flexible talent models, and ensuring organizations can pivot quickly in response to external shocks.

Shifts in Workforce Demographics and Expectations

Generational change, coupled with evolving employee priorities, is reshaping the employment landscape. Flexibility, purpose-driven work, and wellbeing are no longer perks—they are expectations. HR must design supportive cultures and policies that cater to multigenerational needs while attracting and retaining top talent.

These forces aren't abstract—they demand immediate action. Organizations that fail to adapt risk falling behind in talent, innovation, and resilience. HR is no longer a support function; it's a strategic architect of the future of work. The question is no longer "How do we make HR better for the business?" but "How does HR make the business better?"

This shift requires a transformative business mindset, one that integrates a deep understanding of the strategic drivers of the business that create value (e.g., competitive positioning, customer offering, financial discipline, operations and innovation) with expertise in HR systems and practices (e.g., culture, change adoption, org and job design). HR professionals must think like business leaders, not functional experts. Without this perspective, HR cannot credibly influence strategy.

Practical Action Steps to Build HR for Strategic Impact

Developing Personal Skills for a Business Mindset

The journey begins with individual capability. Every HR professional can—and should—develop three core skills: deep financial and value creation fluency, customer orientation, and a learning mindset.

Financial fluency. You cannot influence what you do not understand. HR professionals must know how to interpret P&L statements, annual reports, and proxy filings. They should know how revenue is generated, what drives cost, and how margins are managed. Equally important is understanding the value chain—how products or services move from concept to customer and where talent decisions affect that flow.

Customer orientation. HR's ultimate purpose is to enable the business to serve its customers better. That means we need to understand how workflows connect from product development to customer delivery and where talent bottlenecks occur. It means asking hard questions, like how do HR practices help—or hinder—the customer experience? For example, if onboarding delays product launches, HR isn't improving hiring; it's solving revenue and time-to-value problems.

Learning mindset. HR is uniquely positioned to see across the organization. This makes the HR function a natural hub for spotting patterns, barriers, and opportunities. To fully leverage this advantage, HR professionals must intentionally cultivate curiosity and organizational fluency, for example:

- **Review customer feedback sources monthly**, such as NPS commentary, customer complaint logs, or product launch retrospectives. Identify where talent, skills, workflow or technology issues show up in customer experience.

- **Use HR's cross-organizational visibility to form hypotheses** (e.g., "Are onboarding delays causing inconsistencies for new customer-facing reps?") and test them through data pulls, interviews, or pilot experiments. Use HR analytics as a hypothesis generator**,** not just a reporting tool. For example, *"We're seeing longer time to-productivity in X function. What's changing in their workflows?"*

- **Conduct two "voice of the customer" (internal or external) interviews per month**—with sales, service, or key account managers—to understand how talent and culture affect customer delivery.

- **Ask to join enterprise project teams outside HR** (e.g., transformation, operational excellence, customer experience). Participate not as "the HR person" but as a business contributor.

- **Broaden your experience intentionally**—seek varied short-term assignments in IT, operations, commercial roles, or transformation. Even three to six-month rotations help build the perspective required for strategic HR leadership.

- **Build AI fluency**—continuously experiment with AI and stay up to date with new tools and applications to be fully prepared to lead the coming transformation of work.

Scaling Impact: Systemic Capability Building

Individual skills matter, but systemic capability is what enables HR to drive meaningful business impact. This requires rethinking how your HR function operates. Several imperatives stand out:

1. **Train all HR professionals on corporate finance fundamentals** - Every talent decision—hiring, compensation, workforce planning—directly impacts revenue, cost, and overall financial performance, and health of the organization. Without financial fluency, HR cannot credibly influence strategy or demonstrate how its initiatives drive measurable business value (see Figure 4.1).

2. **Align Metrics with Business Outcomes: From Activity to Impact -** For decades, HR has measured success by activity: how many people were hired, how many training hours were delivered, employee engagement levels, etc. These metrics are necessary—but they are not sufficient. They tell us what HR did, not what difference it made. The real question is: How do talent decisions affect business performance, such as revenue, cost, profitability, and customer experience? This is the mandate: **stop emphasizing activity—start demonstrating impact.** For example, instead of reporting that "90% of managers were trained," report that "manager training correlated with a 12% increase in team productivity." Tie HR initiatives directly to revenue growth, cost reduction, productivity, and customer satisfaction; use AI, scenario planning and predictive analytics to forecast attrition risk and its impact on revenue; model workforce needs with AI / technology transformation strategies.

3. **Empower People Leaders –** technology now enables HR to deliver personalized experiences at scale and to provide leaders intelligent tools to automate routine people management tasks—performance check-ins, coaching, basic recruiting—while HR focuses on designing the experience and business strategy.

4. **Make your Organization's Customer be HR's bull's-eye Customer -** Customer experience and customer-centricity have become focal for many organizations for a reason. In today's hyper-competitive, rapid innovation environment, companies that don't meet and anticipate customer needs and values will be usurped by more customer-focused, nimble competitors. To remain relevant, companies must stay highly attuned to their customers, their customers' experience with their products and services. Your organization's entire talent ecosystem - culture, workflows, skills, and value chain - needs to align to its customer value proposition.

Call to Action: HR as the Architect of Business Success

Beyond processes and metrics, HR must embrace its role as a **culture steward** and **change leader**. In an era of transformative technology, shifting demographics, and constant disruption, HR needs to lead in building an adaptive organization. This requires moving beyond managing change to architecting organizational resilience. This is building cultures where continuous learning is embedded, employees feel empowered to adapt, human potential is amplified rather than displaced by technology. Workforce readiness must be an ongoing focus, and HR must lead in developing technology process on-ramps to accelerate adoption.

The bottom line is clear: HR's role is no longer to make HR better for the business—it's to make the business better. Organizations that embrace this shift will thrive. They will attract and retain top talent, innovate faster, and adapt to uncertainty with resilience. And as with the COVID pandemic, those that don't will struggle to compete. The future of work is being written. HR has the (digital) pen. The question is: Will we write a story of relevance?

Every HR Professional Needs to Know:

Revenue Drivers and Cost Structure

- *Fixed vs. variable costs*
- *Contribution margin*
- *Example HR application: How talent allocation impacts profitability*

Profitability Metrics

- *Gross margin, operating margin, net margin*
- *EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortization)*
- *Example HR application: How productivity and efficiency link to these metrics; HR initiatives must align with improving margins overall financial health*

Cash Flow Management

- *Operating cash flow vs. free cash flow*
- *Working capital*
- *Example HR application: Impact of workforce changes on cash flow*

Return on Investment (ROI)

- *ROI calculation for HR initiatives*
- *Payback period*
- *Example HR application: How long to capture the value of a training program*

Capital Allocation and Budgeting

- *CapEx vs. OpEx*
- *Budget prioritization*
- *Example HR application: Scenario planning for economic uncertainty*

Risk Management

- *Financial impact of turnover*
- *Cost of regulatory non-compliance*
- *Example HR application: Hedging talent risks through workforce planning*

Cost of Capital and Growth Strategy

- *Weighted Average Cost of Capital (WACC)*
- *Debt vs. equity financing implications for workforce planning*
- *Example HR application: Impact of growth strategies on talent needs*

Recommended Reads & Listens

- *Your company's annual report and latest 10-K*
- *Analyst commentary and reports on your company*
- *Your company's quarterly earnings calls*
- *Your company's biggest or most threatening competitor's annual report and earnings calls*
- *An introductory corporate finance book (e.g. The Fundamentals of Corporate Finance (Fundamentals of Corporate Finance 11th Edition by Stephen Ross (Author), Randolph Westerfield (Author), Bradford Jordan (Author))*

Figure 4.1 Every HR Professional Needs to Know

CHAPTER 5

Longevity, AI, and the HR Agenda: Navigating Long Working Lives

By Lynda Gratton

As working lives lengthen while skills turn over faster, HR's role is no longer to manage careers—but to help people and organisations learn how to live them.

Throughout its history, the HR profession has evolved in response to deep structural shifts in work. Industrialisation, globalisation, and digitalisation each reshaped organisational design and people management. Today, HR faces another shift. One that is slower to unfold but ultimately more profound: the extension of human lives.

What makes this moment distinctive is not longevity alone. We are living longer at the same time as work is being reshaped by rapid technological change, including artificial intelligence. Careers are stretching just as the life cycle of skills is compressing. Many people can now expect to work for fifty or sixty years, while knowing that the skills they rely on today may become obsolete within a decade, or less.

Over more than thirty years of teaching HR leaders at London Business School, I have seen a marked shift in the questions they ask. Increasingly, they are concerned with how organisations think about careers, capability, health, and change over long horizons. This chapter reflects on how longevity and AI together reshape the HR agenda, and what this means for organisational systems, employment relationships, and sustained performance.

The Changing Context of Work: From Careers to Long Working Lives

Demographic change moves slowly but relentlessly. Longer lives, later retirement, and more age-diverse workforces have been visible for over a decade. Yet many organisational systems still assume a relatively short, linear working life with a predictable arc: education, work, retirement. What Andrew Scott and I, in *The 100-Year Life: Living and Working in an Age of Longevity* called 'the three-stage' working life.

That three-stage model no longer holds. In a world of long lives, working careers become 'multi-staged.' People cycle through learning, earning, caring, stepping back, and re-engaging. Identity becomes more fluid. Transitions become normal rather than exceptional.

For HR, this challenges embedded assumptions: linear progression, age-based expectations of potential, and static talent beliefs. It also reframes risk. In long working lives, the central threat is no longer physical decline. It's capability obsolescence, amplified by AI and automation, which shorten skill life cycles while increasing the value of judgment, learning, and adaptability.

Over a forty- or fifty-year career, repeated waves of disruption are inevitable. Organisations are not passive observers of this reality. Their policies, cultures, and expectations actively shape whether long working lives are experienced as opportunity or burden.

Four HR Agenda Items for Long Working Lives

From this context emerge four interconnected priorities that require deliberate redesign.

1. **Enabling multi-stage working lives.** The need is for HR systems to move beyond a single point of entry and exit. Those companies who are doing this are designing careers with multiple on- and off-ramps, refashioning retirement, supporting reskilling and re-entry. They are recognising that contribution will ebb and flow rather than follow a continuous upward trajectory. They are acknowledging that progression systems based solely on linear advancement are increasingly misaligned with how people work over long lives.

2. **Supporting families, care, and relationships.** Long working lives amplify the importance of care, be that raising children, supporting partners, or caring for ageing relatives. Yet career penalties associated with care remain persistent. HR must redesign flexibility so it is genuinely career-sustaining. Support fathers and carers and building cultures where family and work are not treated as competing commitments.

3. **Championing continuous learning.** In long working lives, learning cannot be front-loaded. As skill cycles shorten, accelerated by AI, the role of HR is to embed learning as an enduring organisational capability. This requires time, incentives, and progression pathways that reward adaptability and learning velocity, not just accumulated expertise.

4. **Confronting ageism while sustaining productivity.** Age-based assumptions about performance, potential, and cost are increasingly dysfunctional. The role of the HR leader is to actively challenge ageism, to redesign roles to draw on experience and judgment, and ensure that older workers remain visible contributors rather than marginalised late-career risks.

Taken together, these agenda items demand a shift from optimising short-term efficiency to sustaining human capability over decades.

From Dependency to Maturity: Redefining the Employment Relationship

Underlying these changes is a deeper shift in the employment relationship itself. From a parent–child model to an adult–adult one.

In the traditional model, organisations assumed responsibility for stability and progression, while individuals offered loyalty and compliance. That parent-child model made sense when working lives were shorter and change slower. In long working lives, it becomes unsustainable.

No organisation can plan, protect, or provide on behalf of individuals across multiple decades of shifting skills and life stages. Yet individuals cannot navigate this complexity alone.

The emerging adult–adult relationship rests on shared accountability. Individuals take greater responsibility for sustaining their employability, energy, health, and purpose. Organisations create conditions that enable this through fair access to opportunity, transparent expectations, and systems that support movement, learning, and renewal.

This shift does not weaken the employment relationship; it matures it. HR's role is to steward this balance. Neither paternalistic nor hands-off but enabling agency within supportive systems.

Work Becomes Personal—But HR Legitimises It

One of the most important implications of long working lives is that energy replaces time as the scarce resource. When careers span decades, sustainability matters more than endurance. Cognitive load, emotional labour, and boundary erosion have increased the demands of modern work.

In this context, caring for health, relationships, and renewal is not a lifestyle choice; it is a professional capability. Without it, adaptability erodes and engagement declines over time.

HR cannot take care of employees on their behalf. But it plays a decisive role in legitimising care as integral to performance rather than in tension with it. What HR chooses to value, measure, and reward either sustains or undermines long-term capability.

Human Capabilities that Organisations Must Legitimise

While the four agenda items shape the organisational context, long working lives are experienced through a set of human capabilities that individuals must develop, and organisations must support.

These include managing energy rather than hours; allowing exploration as well as consolidation; investing in relationships and networks; cultivating a continuous learning habit; and crafting a coherent narrative of contribution over time.

These are not additional HR initiatives. They are the human foundations of sustained performance across long working lives. Performance systems, talent processes, and leadership norms either create space for these capabilities—or crowd them out.

Changing How We Change

Long working lives also make change unavoidable. In environments shaped by AI, volatility, and global disruption, change is no longer episodic, it is continuous. This reframes what organisational capability really means. Adaptability is not just about acquiring new skills; it involves letting go of familiar identities, tolerating uncertainty, and re-engaging repeatedly over time.

For HR, this has practical consequences. Talent systems that enable movement rather than lock people in static roles. Performance systems that recognise learning and experimentation, not only flawless execution. Leadership development that emphasises stewardship, sense-making, and humility rather than control.

Responsibility for adaptation cannot sit in one place. In long working lives, neither individuals nor organisations can carry the burden alone. HR's role is to hold this balance by building systems that sustain human capability rather than deplete it.

Conclusion: HR as Steward of Long Working Lives

Longevity, combined with rapid technological change, represents a fundamental shift in the nature of work. It does not replace existing HR priorities; it reframes them.

As working lives lengthen and skills turn over faster, the greatest value HR creates is not simply better policies or more efficient systems. It is the capacity to sustain productive organisations while enabling people to build meaningful, healthy, and adaptive working lives over decades.

In this sense, HR becomes a steward not just of work, but of working lives over time. In a world of long lives, that stewardship is no longer optional. The question is not whether HR will engage with longevity, but whether it will lead.

CHAPTER 6

The Transparency Imperative: Why AI Disclosure Is Your Competitive Advantage

By Anthony J. Nyberg, David G. Collings, and Ingo Weller

Organizations face a paradox in their GenAI implementation. Despite investments in AI—from ChatGPT for customer service to AI-powered analytics for HR decisions—many organizations discover that technological success does not guarantee adoption. Efficiency metrics may improve and costs decline, but employee anxiety often intensifies. Leaders report that employees interpret AI adoption as an existential threat rather than an enhancement.

This disconnect reveals a critical gap in organizational strategy. The companies positioned to thrive with GenAI are not necessarily those with superior technology, but rather those that successfully engage their workforce in the transformation journey. This engagement depends fundamentally on transparency—specifically, what can be termed AI Disclosure (AID).

The Trust Gap in AI Implementation

The current landscape reveals a substantial misalignment between leadership and employee perspectives on AI adoption. While executives focus on implementation strategies and return on investment calculations, employees grapple with fundamentally different concerns: job security, surveillance, and decision-making agency. This represents more than a communication challenge—it constitutes a structural trust deficit with the potential to undermine AI initiatives regardless of their technical merit.

When organizations introduce AI without adequate disclosure, they trigger three fundamental tensions that can impair workplace dynamics and organizational effectiveness.

Three Tensions That Define AI Strategy

Control versus Autonomy: The Reversal of Empowerment Trends

The first tension centers on organizational power dynamics. For decades, management theory and practice have trended toward employee empowerment, job autonomy, and flexible work. However, AI implementation potentially reverses this trajectory. Algorithmic systems enable real-time monitoring, precise performance evaluation, and data-driven recommendations for hiring, promotion, and termination decisions that minimize human discretion.

While such control mechanisms offer benefits in consistency and efficiency, they also impose costs on employee engagement and innovation. When employees perceive they are managed by algorithmic systems rather than trusted by leaders, it may lead to reduced commitment, diminished creative output, and increased turnover.

When companies deploy AI-powered performance management systems that track previously unmeasurable metrics, initial data quality can improve. However, high-performing employees may report demoralization. The perception that they have been reduced to quantifiable metrics—that autonomy has been traded for control—can result in disengagement among those most critical to organizational success.

Efficiency versus Job Security: The Employment Threat Perception

The second tension is deeply personal for employees. Organizations pursue AI adoption for efficiency gains, and legitimately so. However, employees consistently interpret "efficiency" as a euphemism for workforce reduction. When leaders emphasize "doing more with less," employees reasonably question whether they represent the "less" component of that equation.

This concern is rational as automation has displaced workers; indeed, recent layoffs in the technology sector may reinforce concerns. When leaders discuss AI primarily in efficiency terms without explicitly addressing job security implications, they implicitly validate employee fears. Thus, even though technology has historically led to new opportunities and more jobs overall, the employees being displaced often fail to benefit from innovation.

In leadership research, companies that communicated openly during the COVID-19 pandemic about financial challenges, shared details with employees, and involved workforce members in solution development reported emerging with stronger organizational commitment. Conversely, companies that implemented reductions covertly or attempted to frame negative developments positively reported both headcount losses and long-term trust erosion.

Innovation versus Uncertainty: The Experimentation Barrier

The third tension may be the most problematic precisely because it operates below the surface of organizational awareness. While leaders conceptualize AI as an innovation catalyst, employees typically experience it as profound uncertainty. Questions about role transformation, skill requirements, and adaptation capacity dominate employee cognition, creating psychological barriers to the experimentation necessary for innovation.

Uncertainty triggers two counterproductive responses: indiscriminate information seeking (often from unreliable sources) and retreat into familiar routines. Both patterns inhibit innovation. Organizations cannot build cultures of experimentation if employees operate from a foundation of fear and uncertainty about their professional futures.

The AI Disclosure Framework

The solution to these tensions lies not in decelerating AI adoption—market forces have already determined that trajectory—nor in denying that tensions exist. Rather, the answer is strategic transparency through AI Disclosure.

AI Disclosure is the deliberate, systematic communication of relevant AI-related information. This extends beyond technical documentation to address the questions employees prioritize: How is AI being deployed? How will implementation affect roles? What decision-making processes govern AI adoption? Who has meaningful input in this transformation? *Effective AI Disclosure requires specific organizational practices rather than general intentions*.

Effective AI Disclosure Implementation

First, organizations must *communicate strategic intent with specificity*. Rather than generic statements like "implementing AI to improve efficiency," effective disclosure articulates concrete impacts: Specificity and relevance to employees' actual work experiences are essential.

Second, organizations should *integrate employees into implementation processes*. Just as global expansion requires assessment of workforce readiness, cultural scalability, and capability alignment, AI adoption demands input from those closest to the work. They have the most accurate insights for where AI can generate value and where it may create problems.

Third, organizations must *invest in ongoing development* rather than superficial training. Effective programs include hands-on workshops, programs that build competence, and career counseling to show how AI skills advance rather than threaten professional trajectories.

Fourth, organizations should *use authentic feedback mechanisms*. Town halls where employees can pose questions, anonymous surveys, and regular check-ins that assess adaptation progress all contribute to effective disclosure. The critical element is responsive action—asking for input without incorporating it erodes trust more rapidly than not soliciting feedback at all.

Implementation Risks and Limitations

AI Disclosure will not be universally beneficial and poor implementation carries risks. If increased transparency reveals that AI is deployed primarily for control enhancement and workforce reduction, accelerated disclosure merely confirms employee fears. Communicating poor intentions is worse than minimal communication.

If organizational culture cannot support employee input, soliciting feedback without responsive action generates cynicism more quickly than silence. Organizations must ensure that disclosed plans align with actual implementation before increasing transparency.

If organizational reality contradicts disclosed intentions, the credibility gap undermines not only the specific AI initiative but broader leadership trust. Organizations must ensure that disclosed plans align with actual implementation before increasing transparency.

Strategic Implications

Organizations face a choice. They can pursue AI as a technological initiative focused on capabilities and efficiency, hoping adaptation follows. Alternatively, they can recognize AI adoption as fundamentally a people challenge that involves technological tools.

Successful organizations will treat AI Disclosure as a strategic imperative rather than optional communication. Leaders initiate difficult conversations early. They involve employees in shaping AI deployment and maintain transparency regarding opportunities and challenges.

This approach requires greater initial investment and is more complex than simply implementing new systems and expecting compliance. However, research consistently demonstrates that the cost of upfront transparency is substantially lower than the price of subsequent trust repair.

When employees understand the rationale for AI deployment, participate in decisions affecting their roles, and perceive clear growth pathways, AI changes from a fear catalyst to a competitive advantage. Organizations that succeed with AI will not necessarily possess superior algorithms. They will leverage algorithmic capabilities while maintaining workforce trust, engagement, and creativity. This originates in transparency regarding organizational intentions and actions.

AI has arrived, and adoption is not optional. The question is whether organizations will bring their workforce along through the transformation or leave employees behind in confusion and fear. AI Disclosure extends beyond compliance, or communication represents recognition that competitive advantage derives not from technology alone, but from employees who trust the organization sufficiently to embrace technological change.

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CHAPTER 7

A Board Member's Guide for the CHRO: How to Lead the Conversations Boards Care About

By Laurie Siegel

I have worked for, with, or as a member of public company Boards of Directors for nearly 40 years. Boards did not always operate at the level of expertise and commitment that they demonstrate today. As a young consultant, I recall Directors who napped during meetings and evidenced little knowledge of the business. Thirty years ago, Boards often addressed their three priorities with a narrow focus:

1. Succession planning was episodic, and only a priority when a CEO succession event was imminent. As a result, CEO selection was often sub-optimized, with a narrow pool of internal candidates.

2. Risk was viewed from a financial lens, with little consideration to succession, culture, or workforce risk, in its many forms.

3. Strategy was viewed as a wish list of sorts—what do we aspire to be versus how do we form a roadmap to achieve strategic outcomes that maximize shareholder returns.

Boards now embrace a more holistic view of all these priorities, and in the process, have recognized that the voice of the CHRO in the boardroom is essential. And after Boards granted CHROs presence and voice, many directors in frustrated executive sessions, now lament that the CHRO's contribution has not met expectations.

Why is this? With so many incredibly talented CHROs in the field, recognized by their leadership teams and employees as critical contributors to company outcomes, why are Boards of Directors often feeling unsatisfied?

I argue that there is (and has always been) a language of HR—an "HR-speak" if you will—that obfuscates the reality of the plans, activities, and accountabilities in the HR purview. Sometimes buzz words exist because the real plans are in fact muddy and non-specific. In these cases, the CHRO is simply not up to the job. But in many cases, true substance exists—it is just not brought to life in board discussion and leaves the board sensing a lack of substance and actionable intent.

There are three topics on which CHROs need to be heard in front of their Boards with absolute clarity and accountability. And each of these topics means different things to different people and means nothing at all to some. This lack of board alignment makes the task of the CHRO much harder, yet CHROs need to learn to connect with their Boards in meaningful ways when addressing these key activities:

Succession Planning

Succession Planning is a required activity in the charters of every public company board. Yet in almost every survey assessing Boards of Directors' performance, Boards believe they can do better. Board members express feeling awkward addressing CEO succession with a high-performing CEO that the board wants to retain for as long as possible, and even more awkward when the board is unsure if the current CEO is the right one for the future. In such cases, succession discussions are often either avoided altogether or become a check-the-box exercise with no real purpose and no real progress.

Succession planning paradigm shift. In these situations, the CHRO *should* unlock a new paradigm for the board by helping them think about succession planning as an ongoing process of examining leadership imperatives, assessing gaps and developing action plans to close those gaps.

Shifting the conversation from an event to an ongoing process is critical. The shift enables succession planning to have a place in the boardroom, even when a succession event is not viewed as imminent. CHROs should:

1. **Help Boards understand that developing talent for a role as complex as the CEO requires multiple rotations of several years each.** Starting the process a year or even two before the succession event severely limits the board's optionality in considering internally developed talent.

2. **Help familiarize the board with the pipeline of talent**, the moves that they are being tested in, and the ever-changing chess board of moves that can be contemplated downstream.

3. **Help the Board understand that this *IS* succession planning**—their engagement in this process is preparing future leaders and fulfilling the board's mission and charter.

Strategy Execution Through Workforce Planning

Businesses are never in a steady state, and workforces are never appropriately skilled, geographically distributed or right-sized for the future, even if by incredible skill, those objectives are achieved for the present state. The challenge is amplified when strategic shifts require transformational capabilities. Yet, when Boards address strategy, they seldom confront the "how" or even the "if" it is possible for the organization to acquire the skills, meet the demand, reconfigure the footprint or adapt the culture to meet the strategic imperative.

Linked to the board discussion of strategy, *the CHRO must present a crystal-clear roadmap of the required workforce configurations, attributes, distributions and characteristics of the people that will make it happen*. For example, three workforce plans that enable companies to accomplish highly critical and challenging strategic shifts are:

- A manufacturing company requiring a highly trained workforce in a specific geography acquired with the specific intent of achieving a rapid upskilling. The deal terms were structured to lock in critical talent for sufficient time to establish market position.

- A telecommunications company shifted its strategy to sell complex technology services over its fiber network. In doing so, it needed to compete in new, highly competitive labor markets. The company redesigned its compensation programs, restructured its peer group and reset its pay structure to compete in its new domain.

- A fintech company developed a skill certification program in partnership with a university to increase the downstream supply of candidates with skills imperative to the company's strategy execution.

Each of these was highly visible to the board and the considerable investment required was given full support by the board. To connect the dots between strategy and workforce planning, the CHRO must be an active player in the strategic planning team and must lead the workforce planning initiative. The CHROs should:

1. **Help Boards understand what the business will need more of and less of.**

2. **Help Boards see the workforce challenges that will be faced in execution.** AI has of course added to the complexity— many roles will change profoundly, and the board will be greatly aided by a CHRO who both anticipates and plans for change at this scale.

Evaluate and Mitigate HR Risk

The SEC requires that compensation committees of public companies assess compensation risk regularly and disclose if such risk is material. Yet compensation presents only one aspect of risk under the purview of the CHRO, and there is no requirement or even expectation that the CHRO will engage the Board in discussions around the considerable risks presented in the forms of workforce disruption, litigation, reputation, leadership continuity or skill gaps.

Why is it that risk is a topic typically assigned to finance, and to the degree that HR risks appear on the proverbial matrix of likelihood and severity of risk, HR risks are often captured in the vague and unactionable category of "succession risk"? The COVID-19 pandemic changed the perception considerably, but HR risk is still not a regular topic on the board's agenda. Unnerving as it may be to imagine, CHROs should:

- **Help Boards consider scenarios involving political unrest, labor upheaval, disease, or sudden death or illness of a critical leader**, Boards will appreciate the CHRO that recognizes and plans for such risk, and in doing so, enables the Board to fulfill its essential mandate.

Each of these three board priorities—succession planning, strategic planning and risk planning—require a scheduled, focused, and at least annual dialogue led by the CHRO. The CHRO who can directly connect the dots between the board's priorities and the work led within the HR function will become the trusted advisor to the Board in the same way that this role has become a valued and trusted advisor to the CEO.

CHAPTER 8

Boards of Directors: The Hidden Driver of HR Evolution

By Patrick M. Wright

In the early 2000s, during a Center for Advanced Human Resource Studies (CAHRS) advisory board meeting, the conversation turned to the evolving nature of the Chief Human Resource Officer (CHRO) role. Bill Conaty, then CHRO at GE, observed that his responsibilities increasingly required direct engagement with the board of directors in ways he had not previously experienced. He noted that the role was changing rapidly, yet there was no systematic research examining how—or why—this transformation was occurring. That observation prompted me to take on the challenge of first clarifying the core components of the CHRO role and then exploring how the role itself was evolving. Interviews with CHROs resembling a job analysis identified seven roles they played (see Figure 8.1).

CHRO Roles	Responsibilities
Strategic Advisor to the Executive Team	Activities focused specifically on the formulation and implementation of the firm's strategy
Counselor/Confidante/Coach to the Executive Team	Activities focused on counseling or coaching executive team members or resolving interpersonal or political conflicts among team members
Liaison to the Board of Directors	Preparation for board meetings, phone calls with board members, attendance at board meetings
Talent Strategist/Architect	Activities focused on building and identifying the human capital critical to the present and future of the firm
Leader of the HR Function	Working with HR team members regarding the development, design, and delivery of HR service
Workforce Sensor	Activities focused on identifying workforce engagement/morale issues or concerns and building employee engagement
Representative of the Firm	Activities with external stakeholders, such as lobbying, speaking to outside groups, etc.

Figure 8.1 CHRO Roles

From 2009 through 2018, we asked CHROs each year to report how they allocated their time across key aspects of their role. Across this period, they consistently reported spending the largest share of their time as **Leader of the HR Function** (approximately 27–28%), with relatively similar amounts of time (16–18% each) devoted to the **Talent Architect**, **Strategic Advisor**, and **Counselor/Confidante/Coach** roles. Over time, however, CHROs reported a notable increase in time spent as **Liaison to the Board**, rising from roughly 5% to nearly 10%. We also asked CHROs to identify the top three deliverables their CEOs expected from them. Year after year, **talent-related outcomes** topped the list by a wide margin.

In 2017, Gartner introduced the *World-Class CHRO Model*, which was subsequently revised in 2023. This updated framework reflected several of the shifts we had observed in the CHRO role. When we first began studying the position, culture did not emerge as a salient responsibility; when CHROs were asked to identify key deliverables, culture rarely appeared among the top ten. Over time, however, the external and organizational context evolved, and the Gartner model explicitly captured the growing expectation that CHROs play a central role in building and managing organizational culture.

In short, changes in context reshaped the CHRO role. Looking back historically, it became clear that once CHROs were elevated into meaningful engagement with boards of directors, the issues that commanded board attention almost invariably altered the expectations placed on CHROs—and, by extension, the HR function itself. In this chapter, I explore the contextual factors that drew boards' focus to particular issues and examine how those shifts translated into substantive changes in the CHRO role and the HR function.

Late 1990s: The War for Talent

In the late 1990s, research conducted by McKinsey & Company drew board-level attention to talent as a source of competitive advantage. This work culminated in the 1998 *McKinsey Quarterly* article, "*The War for Talent*," (Chambers, Foulon, Handfield-Jones, Hankin & Michaels, 1998) and was later expanded into a full-length book published in 2001 (Michaels, Handfield-Jones, & Axelrod, B., 2001). A central argument of this research was that talent should be managed as a core business priority, not merely as an administrative responsibility of the HR function.

The *War for Talent* framework emphasized several key principles: cultivating a talent mindset among leaders, differentiating talent based on performance and potential, building robust leadership pipelines, offering an employee value proposition that extended beyond compensation, and rigorously managing talent through systematic assessment, development, and movement.

As boards increasingly embraced talent as a company's competitive weapon, they began to demand more rigorous reporting from management on how talent was being developed, deployed, and retained to support business strategy. Because talent management resided primarily within the HR domain, CHROs were increasingly invited into board meetings to provide these updates. At the same time, heightened board scrutiny incentivized CHROs to strengthen and professionalize their organizations' talent management capabilities. This period thus provides an early and clear example of how shifts in board priorities reshaped both the CHRO role and the practice of human resources.

Early 2000s: The Dot-Com Bubble and Executive Pay Scandals

Around the same time that boards were becoming focused on the *War for Talent*, the dot-com bubble emerged. Fueled by enthusiasm for the internet as the engine of a new industrial revolution, investors poured capital into online ventures in pursuit of outsized returns. In this environment, and reinforced by talent competition, organizations increasingly relied on variable pay—particularly stock options—to attract and retain executives and critical talent.

These practices generated significant paper wealth for many executives and, in some cases, incentivized questionable or illegal behavior, including the backdating of stock options and the manipulation of earnings. When the dot-com bubble burst, a series of high-profile executive pay scandals came to light. In response, Congress passed the **Sarbanes-Oxley Act** in 2002, imposing stricter requirements on financial reporting, internal controls, and executive accountability.

These developments drew immediate board attention as part of directors' governance responsibilities. Compensation committees became far more focused on executive pay design, oversight, and disclosure. Because executive compensation largely resided within the HR domain, CHROs' engagement with boards expanded beyond talent to include executive pay. Consequently, HR functions were required to elevate their capabilities in compensation design, governance, and reporting.

2000s: Hewlett-Packard and CEO Succession Failures

A second major inflection point in the evolution of the CHRO role occurred during the 2000s (roughly 1999–2011), following a series of failed CEO successions at **Hewlett-Packard**. In 1999, HP appointed Carly Fiorina as its first external CEO, reportedly due to an insufficient internal pipeline of CEO-ready talent. After her ouster in 2005, the board hired another outsider, Mark Hurd from NCR. Although initially viewed as successful, his tenure ended following a personal scandal.

The board then appointed Leo Apotheker, former CEO of SAP, in 2010. Reports suggested that the board had limited interaction with him prior to his selection, and a series of strategic decisions unsettled investors and depressed the firm's stock price. Apotheker was dismissed in less than a year, after which the board appointed one of its own members, Meg Whitman, former CEO of eBay.

These events drew intense public criticism of HP's board for failing to fulfill one of its most fundamental governance responsibilities: CEO succession. That scrutiny quickly reverberated across other public company boards, prompting directors to engage more actively in identifying, developing, and assessing internal CEO successors.

While CHROs had long reported to boards on leadership talent, this shift required them to focus far more rigorously on the *most pivotal* talent—those with potential to assume the CEO role. This heightened attention to CEO succession cascaded throughout the HR function, necessitating greater investment in leadership assessment, development, and long-term succession planning.

Mid-2010s: Culture and Corporate Scandals

The mid-2010s brought renewed board focus to organizational culture following high-profile scandals at Wells Fargo and Uber. In 2016, Wells Fargo was accused of fostering a sales culture that led employees to open millions of unauthorized customer accounts. In 2017, Uber faced intense public scrutiny after engineer Susan Fowler published a blog describing widespread sexual harassment, HR failures, and a toxic organizational culture.

In both cases, dysfunctional cultures were identified as root causes of unethical behavior, prompting boards to scrutinize the cultures of the organizations for which they bore governance responsibility. Boards sought information on employee engagement data, whistleblower complaints, and other indicators of cultural risk.

Once again, CHROs were called upon to report to boards on these issues, and HR functions expanded their focus on measuring, diagnosing, and shaping organizational culture. Reflecting this shift, our 2018 survey of CHROs showed that "culture" jumped from the eleventh to the third most important HR deliverable demanded by CEOs in just one year.

2020: COVID-19, Work, and Safety

The global COVID-19 pandemic disrupted nearly every aspect of organizational life. Beginning in March 2020, widespread lockdowns closed schools and businesses, forcing organizations to rapidly reconfigure where and how work was performed. Non-essential employees were sent home, and work shifted almost overnight from face-to-face interaction to virtual platforms.

During this period, boards expressed dual concerns: safeguarding employee health and safety while maintaining business continuity. Because HR functions bore primary responsibility for enabling these new work arrangements, the visibility and influence of the CHRO increased substantially. The CHRO role expanded to include active involvement in the design and coordination of work itself, rather than merely the management of people within existing structures.

2021–2023: Return to Office

While the transition from office to home occurred rapidly, the shift back to the office has proven far more complex. From 2021 through 2022, many organizations experimented with hybrid arrangements in an effort to balance productivity, collaboration, and cultural cohesion with employees' growing preference for flexibility.

By 2022–2023, however, a growing number of firms began mandating increased in-office presence, often reducing flexibility. Because return-to-office policies intersect directly with both talent and culture—two enduring board concerns—directors again turned to CHROs for updates and guidance. As a result, HR's role expanded further into managing not only *who* works, but *where* work is performed.

2024 and Beyond: Artificial Intelligence and the Future of Work

Artificial intelligence represents the next major governance challenge for boards and the next major expansion of the CHRO role. Whereas COVID-19 and RTO centered on where work occurs, AI raises fundamental questions about who—humans or technology—performs various aspects of work.

Early applications of AI emphasize augmentation, enabling employees to offload routine tasks and focus on higher-value activities. At the same time, emerging evidence suggests that AI, robotics, and related technologies may eliminate certain roles altogether. As boards seek to ensure that their organizations leverage AI effectively and responsibly, attention once again turns to HR leadership.

Boards' focus on the human-technology interface places CHROs at the center of these conversations. To meet these expectations, HR functions must elevate their digital fluency and capability to manage workforce transitions, reskilling, and the integration of technology into work design.

Conclusion

The HR function has evolved substantially over the past 30 years. Although change characterized earlier periods as well, the pace and magnitude of transformation have accelerated dramatically. These shifts are often described in terms of discrete focal areas—talent, executive pay, CEO succession, culture, COVID-19, return-to-office, and AI—but such descriptions obscure the underlying driver of change.

A historical examination reveals that the evolving role of the CHRO is best understood through the changing priorities of boards of directors. As boards increasingly focus on issues involving people, CHROs gain greater visibility, responsibility, and influence. In turn, heightened board scrutiny compels HR functions to develop new capabilities and deliver more sophisticated organizational responses.

While uncertainty remains regarding the specific future demands placed on HR, one conclusion is clear: boards of directors will continue to be the primary source of those demands—and the catalyst for the continued evolution of the CHRO role.

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CHAPTER 9

How AI Transforms Business and Organization

By Arthur Yeung

The launch of GPT-3.5 by OpenAI in late 2022 marked a pivotal moment, as artificial general intelligence (AGI) is now widely recognized as a once-in-a-century game changing technology, akin to the invention of electricity in the 19th century. This conviction is not merely a topic of discussion among leading researchers but is also actively embraced by prominent business leaders investing substantial resources in the development of large language models (LLMs) and AI infrastructure (including GPUs, networks, and software). Notable players in this space include Nvidia, Google, Microsoft, Amazon, AMD, Oracle, OpenAI, and Anthropic. Here are some perspectives from business leaders on AI's transformative impact:

"AI is the most profound technology humanity is working on—more profound than fire or electricity." — Sundar Pichai, CEO of Google & Alphabet

"AI is going to impact every industry. Every country will be impacted." — Jensen Huang, CEO of Nvidia

This chapter briefly addresses AI's transformative impact on business and organizations through four key questions:

1. What is AI capable of?
2. How can AI transform business across different industries?
3. What organizational design and talent management strategies can leverage AI capabilities?
4. What actions can business and HR leaders take to embrace AI?

The Impact of the AI Revolution: Fast, Pervasive, and Transformative

Despite the competitive race among leading tech players in the US and China to upgrade AGI capabilities in a short time frame, AGI is still considered in its early stages of development. According to OpenAI's classification, there are five levels of AGI capability (see Figure 9.1), starting from Level 1 (understanding, retrieving, and integrating various types of information through chatbots) in 2022 to Level 2 (reasoning with slow thinking and clear logic) in 2024, and progressing to Level 3 (agents that can complete tasks independently) in 2025.

Figure 9.1 OpenAI Classification of AGI Capability

Progressing from understanding (Level 1) to reasoning (Level 2) to acting (Level 3) represents a significant leap in capability. At this current level of AI, how can these advancements potentially transform the workplace?

1. Manual tasks such as driving, manufacturing, and logistics may be supplanted by autonomous vehicles on the roads, humanoid robots in factories, and various types of moving robots in warehouses.

2. Knowledge-based roles—including software developers, graphic designers, analysts, and professionals—could be augmented or replaced by agents performing coding, design work, translation, and professional services in fields such as law, medicine, finance, and accounting.

The transformative impact of agents will soon be evident, as demonstrated by recent layoffs at major tech firms like Amazon, Microsoft, Meta, and Google in 2025. These layoffs are less a result of financial difficulties and more reflective of structural workforce changes initiated by AI in areas like coding and graphic design. We anticipate more such developments as agents become widespread in industries beyond leading tech firms. It's essential to consider: what will happen to the workplace when AGI reaches Levels 4 and 5?

How Can AI Transform Business in Different Industries?

AI's rapid development and deployment will significantly alter businesses across various sectors, especially those rich in data from research and development, production, sales, and customer service activities. Industries with the greatest potential for innovation or disruption include mobility, manufacturing, online education, healthcare, and finance. Let's imagine the potential transformative effects of AI in several sectors:

Mobility via Autonomous Driving

As autonomous driving technology becomes more reliable and affordable, we may see:

- Changes for drivers across different transportation modes like car, bus, truck. For example, with approximately 20 million registered drivers on platforms like DiDi (the Chinese equivalent of Uber), what will become of them?

- Redesigns in vehicle layouts, eliminating the need for front-row driver seats. Vehicles could evolve into a variety of designs like mobile offices, entertainment systems, or spaces for social interaction.

- Shifts in the business models of mobility companies. Vehicles may become akin to smart devices, with interactions similar to those with Siri. With a lot of free time during commuting, agents could assist passengers with services like shopping, entertaining, or conference calls, leading automotive companies to monetize not just hardware, but also value-added services.

Manufacturing via Various Robots

When factories are equipped with AGI, production and inspection tasks may be performed by robotic arms, humanoid robots, and mobile robots. Enhanced planning, scheduling, and organizational tasks will be facilitated by agents, coordinated by a "factory brain."

When factories are equipped with AGI, we may envision:

- Production and inspection tasks performed by robotic arms, humanoid robots, and mobile robots.

- Enhanced planning, scheduling, and organizational tasks facilitated by agents.

- A "factory brain" that coordinates all robots and agents in an integrated manner.

Healthcare via Advanced Modeling, Copilots, and Agents

The widespread deployment of AGI in healthcare could dramatically change:

- The drug discovery and development process. With AI models like AlphaFold3 by Google, the development of protein modular structures is accelerating, potentially reducing the time and financial burdens of drug development (versus the traditional costs and risks of 10+ years with 1+ billion dollars with less than 10% of success) . This could lead to a greater influx of new drugs for chronic diseases, increasing life expectancy.

- Medical diagnostics, as AI could read, interpret, and analyze various diagnostic tests autonomously, yielding quicker, cheaper, and more comprehensive results. This could lead to more personalized and effective prescriptions.

- Doctor productivity, allowing healthcare professionals to access an integrated patient history before visits, receive real-time assistance in diagnosis, and prescriptions through Copilot, and save time on patient record writing.

Clearly, AI is poised to revolutionize business models, product designs, service delivery, and internal value-chain activities across research and development, production, marketing, and customer service, with the most significant impacts felt in data-rich industries.

What Organizational Design and Talent Management Are Required?

As AI capabilities continue to evolve, not all companies will equally benefit from these opportunities. While some organizations will effectively harness AI, others may lag behind. The drastic actions taken by major tech firms such as Meta, Amazon, Google, and Microsoft—investing in AI talent while letting many employees go—indicate a push towards upgrading AI readiness.

What organizational qualities can help companies effectively leverage AI capabilities? I recommend the following business and HR practices:

1. **Adopt an "AI First" Principle.** Encourage the use of AI for any work processes that can be automated, such as coding, design, quality inspection, inventory management, and energy management. For processes requiring human judgment, AI should be used to enhance efficiency and expertise, such as doctors using Copilots to assist in understanding patient histories, diagnosis and prescription.

2. **Empower Employees to Embrace AI.** Educate employees to view AI as a tool for enhancement, not replacement. Companies should provide training to help frontline employees develop and deploy various agents or AI assistants to improve productivity. Traditional seniority and hierarchical control will become less relevant as AI empowers employees with business knowledge.

3. **Flat and Lean Organizations.** Future organizations should be leaner and flatter, supported by a robust AI platform featuring proprietary data, company-specific AI models, and agent operating systems to facilitate coordination and integration across functions. Make it easy for frontline employees to develop agents specific to company products and practices.

4. **Foster a Culture of Innovation.** Encourage a bottom-up, self-driven spirit of innovation, allowing employees to enhance work processes, products, and services using AI capabilities. A culture that champions experimentation and a growth mindset is ideal for fostering AI innovation.

5. **Define Values and Ethics.** Organizations should shape not only the values and behaviors of visible employees but also set ethical standards and boundaries for invisible agents and robots. Defining what agents can and cannot do should be integrated into the post-training, safety and alignment training for company-specific AI models. What Can Business and HR Leaders Do to Embrace AI?

To leverage AI for growth and innovation rather than viewing it as a threat, my advice to business and HR leaders is as follows:

1. Invest in personal proficiency: Take time to learn about AI, embrace it personally, invest in the necessary AI infrastructure and talent, and initiate the required business transformations.

2. Think strategically: Envision the future. Consider how AI could transform your products, services, business models, and work processes, and share this vision with employees to inspire a new sense of purpose.

3. Architect a new form of organization: Redesign the organization to align better with AI capabilities, fostering a flatter and leaner structure supported by a strong AI platform.

4. Define and manage talent: Hire and cultivate talent proficient in AI to drive advancements in the company. Position AI as an enabling tool rather than a replacement tool. Make it easier for employees to learn, deploy, and develop agents.

5. Foster right culture: Encourage self-driven, bottom-up innovation of employees at all levels. Define appropriate values and behaviors not only for visible employees but also for invisible AI agents and assistants.

History keeps repeating: Whenever a constructive or destructive technology arrives, there are always winners or losers for both businesses and individuals. The question is: Are you ready?

PART II

Business Agenda

Bridging Vision and Execution for the Strategic HR Leader

SECTION INTRODUCTION

Bridging Vision and Execution: Expert Insights for the Strategic HR Leader

By Anthony J. Nyberg

The *Business Agenda* stage represents a critical pivot to respond to the current inflection point where HR leaders must transcend traditional functional boundaries to become full partners in driving organizational success. This stage, positioned between understanding environmental context and delivering human capability, encompasses two essential competencies: becoming a contributing member of the management team (including coaching and facilitation), and helping deliver the business agenda through strategy and financial acumen. The seven chapters contributing to this section provide a roadmap for this transformation, capturing collective wisdom from some of the most accomplished practitioners and thought leaders in the field.

Former CEO and Board member Ronald Williams opens this section by establishing the intellectual legitimacy of the CHRO as strategic partner. Just as the CFO manages financial capital with rigor and strategic intent, Williams argues, the CHRO must serve as steward of human capital with comparable discipline and business literacy—functioning as *COO of culture* who operationalizes the CEO's vision while ensuring workforce agility. This foundation sets the stage for understanding why HR leadership should help drive strategy.

Building on this foundation, Mirian Graddick-Weir and Donald Schepker, together with Melissa Anderson, Eva Rykrsmith, and Lynn McFarland, articulate what enterprise leadership means in practice. Graddick-Weir and Schepker distinguish between functional experts who execute processes and enterprise leaders who co-own business outcomes, participate in capital allocation decisions, and elevate talent discussions to forward-looking risk and value narratives. Anderson and her colleagues then operationalize this through three roles—*Integrator of Vision*, *Orchestrator of Execution*, and *Accelerator of Momentum*—while introducing the CHRO as *enterprise architect* and *truth-teller* who diagnoses capability gaps, surfaces discrepancies between leadership intent and operational reality, and coaches C-suite peers on team dynamics.

To participate credibly in these strategic conversations, Peter Fasolo and Adam Steinbach, along with Matt Walter and Ronan Conlon, describe a business acumen toolkit that separates functional administrators from strategic contributors. Fasolo and Steinbach argue for "outside-in thinking" that demands deep financial literacy—understanding P&L statements, cost structures, and growth levers—and reporting on metrics that matter to shareholders, such as Human Capital ROI. Walter and Conlon extend this financial orientation by explaining how predictive analytics, talent ROI, and labor cost efficiency measurements prove HR's direct contribution to growth targets. Their emphasis on leveraging AI to automate transactional work creates capacity for high-value strategic planning to drive shareholder value.

The section's final chapters shift from strategy formulation to execution. Pambianchi and Call illuminate HR's unique role as "connective tissue" between boardroom decisions and frontline adoption, providing frameworks for flattening change curves, coaching leaders, and identifying change carriers who transform strategic intent into operational reality without overwhelming organizational capacity. Rita McGrath then challenges readers to look beyond today's imperatives toward tomorrow's competitive landscape, reconceptualizing the CHRO as *Chief Connection Officer* who creates value by maximizing connection density and knowledge flow rather than managing headcount, preparing emerging leaders for a network economy where advantage derives from distributed decision rights and "permissionless" operating models.

Collectively, these chapters transfer knowledge from practitioners who have successfully navigated the transition from functional leadership to strategic partnership, providing both conceptual frameworks and practical tools for mastering the Business Agenda stage.

CHAPTER 11

Businesses Have Two Forms of Capital Available to Them: Financial and Human. A CEO-CHRO Partnership Can Make Sure the Human Capital gets the Attention It Deserves.

By Ronald A. Williams

Money and people are the two forms of capital available to companies. We'll get to the CEO role in a minute, but we know that the chief financial officer's (CFO) job is to be responsible for the effective and efficient use of <u>financial</u> capital. In much the same way, the Chief Human Resource Officer's (CHRO) job includes the identification, hiring, management, leadership and growth of <u>human</u> capital. Most CEOs know how to partner with their CFO, but fewer are familiar with the benefits of a truly strategic partnership with their CHRO.

Why Is This Important? The unprecedented pace of change requires companies to be both strategic and agile, and highly dependent on talent.

The business and political environment is evolving rapidly, making it imperative that companies have a strong, strategic and agile view of their long-term opportunities, the ability to anticipate where the market is going, and actionable operational plans. Companies must have the capacity to both shorten those plans (because political and societal trends are rapidly evolving and fueled by social media that can have a fundamental and volatile impact on your business) and lengthen them (because demographic trends are inevitable). This means that companies must have the talent to both develop and adjust these plans efficiently, as well as to execute on them effectively.

Unfortunately, this is very often NOT the case. Large legacy corporations are generally built for yesterday's challenges simply by virtue of their scale. The skills and competencies of their workforce and the businesses that they operate are often based on historic challenges. While big companies have departments focused on strategy, they have a harder time moving quickly when they need to focus on "new and next." Newer companies, while built for more recent ideas, still face the same challenges, including the rapid change occurring in many sectors.

Think of it this way. Your company is an iceberg, and the roles (and associated processes) that are based on the *history* of the company are beneath the waterline. The people and processes dealing with jobs focused on the *future* of the company are above the waterline. We know that the vast portion of an iceberg is underwater, so the largest portion of your talent is spending their time on what the company *used to do*. Tech companies that emerged in the 1980s and 90s quickly became "old," with their strategy and human capital focused on older operating models. When they had to transform their use case to a subscription model, or how to operate in the cloud, not all of them made it.

Aetna is a good example. When I arrived there, the company was stuck in an old model that had worked with legacy businesses but wouldn't allow the company to succeed in the future. It took taking the business apart and putting it back together, along with building a new data system that helped us understand every piece of information, and most importantly, getting started early on investing in talent and building a new culture, with aligned vision, values and behaviors. We built a rewards program that reinforced those elements and measured and reported on how we were doing. My HR leader was both a partner and the chief operating officer of our culture.

It worked. Aetna went from losing $1 million every day to full-year operating earnings of $2 billion, with operating earnings per share of $5.17 in the year I stepped down as chairman. We were 77th on the Fortune 100 and named Fortune's most admired company in the "Healthcare: Insurance and Managed Care" category for three consecutive years.

The CHRO Must Be Viewed as a Strategic Partner and COO of People and Culture

A recent study[1] from The Conference Board looked at the expanding role of the CHRO in the boardroom. Companies, and their boards, are increasingly recognizing that human capital is critical to a company's business performance. Expertise in managing human capital is also important to risk management and value creation. Consistent with my view, the study found that "the CHRO is most effective when collaborating as an equal in the leadership team, especially with the CEO, CFO, COO and CLO."

Yet I regularly speak with CEOs who don't believe they are fully utilizing their CHROs, or don't know how to. First, CEOs must have the right CHRO. Second, they must give the CHRO a seat at the table where decisions are made, and ensure that the CHRO's voice is heard and heeded.

CEOs need a strategic partner in their HR lead; one that can have their feet in many worlds and who can articulate their views. It is the CEO's job to set the vision for the company, including its culture. The CHRO partners with the CEO and leadership team to architect a constantly evolving technology enabled, skills-driven, human centric organization.

[1] The Evolving Role of the CHRO in the Boardroom, April 8, 2025. The Conference Board.

Strategic HR Leaders Must Have Multiple Areas of Expertise, Including:

- Being well-versed in the company's strategic and operating plans and having a strong sense for the kind of talent the organization will need going forward, and how to identify and obtain that talent as well as develop talent within the company.

- Having a fundamental understanding of how the business works (business literacy) — including the kinds of processes and procedures to help the workforce do its best work – and developing business literacy in their teams.

- Having a well-tuned ear to demographics and the ability to partner in identifying opportunities that are presented in different markets and sub-segments.

- And while this one is foundational, it bears writing down. Strategic HR leaders must be *experts in human resources*.

One of the CHRO's most important jobs is to prepare the organization's human capital for simultaneous horizons and the necessary skills sets that will be required of them. With today's workforce being multi-generational, including Boomers, Gen X, Millennials, Gen Z, etc., the skill sets of the CHRO and within the HR teams *must keep pace* with the strategic evolution and requirements of the business.

CHROs are looking at the top of the house requirements to align top talent with the strategy of the company — including examining and adjusting or reinvigorating the company's recruitment, retention, rewards, employee development and employee well-being programs. They are making certain that there is a laser focus on talent management and succession across the organization which ladders up to (and down from) the leadership team and CEO succession strategy. They are looking to adaptive learning to address the rapid evolution of new skill requirements and finding new ways to match talent to strategy.

The CEO as Chief Talent and Culture Officer

The CEO's job in this effort? Be a strategic partner to your CHRO. Empower them and make sure they are a critical part of the leadership team. Their voice matters. This may come as a surprise, but CEOs should consider themselves the chief talent officer, and the strategic owner of culture. Not that you're doing all the work, but you are taking ownership to make sure it is seen as a critical factor across the enterprise. The leadership team needs to drive the culture, but the CHRO operationalizes it. In addition, the CEO should ask questions like:

- Do we have the talent to align with our strategy? Will our talent permit us to execute on our strategy?

- What is our recruiting strategy? Where are we looking? Where could we expand our efforts?
- What is our approach to existing talent, how are we developing leaders and how are we preparing our workforce for the future?

Companies who committed to DEI as they sought to Find and Retain the Best Talent Should Stay the Course if Future Success is the Goal

An important question for leadership teams right now is: as we continue to recruit, develop and retain the very best talent to execute on our strategy, are we harming ourselves short- or long-term by limitations we put on pursuing and developing the best talent? DEI is about recognizing the value of people with different perspectives and experiences and addressing and correcting discriminating practices, whether with people of color, from underserved populations, or for people who think differently than we do and have different experiences. When companies back away from efforts to find *the best talent* because they're concerned over backlash on DEI, they are harming their ability to be successful.

Your workforce must be representative of the populations you want to serve. Companies that tap into diverse communities — not to the exclusion of others but in addition to them — build brand value and trust. A company's workforce should understand the needs and preferences of its customers, and it helps improve the business profitability when strategy, communication and marketing meet the needs and desires of its customers/communities.

The CHRO job is harder than ever, and there is more in the role that can place the CHRO in the spotlight. Having a strategic framework, and a CEO partner, will make the job of building the most competitive workforce both possible and more manageable, especially during tough times.

CHAPTER 12

From Functional Expert to Enterprise Leader: How CHROs Shape Strategy and Boardroom Decisions

By Mirian Graddick-Weir and Donald J. Schepker

In today's volatile business environment, world class CHROs are evolving beyond leading people processes to become enterprise leaders who use data-driven insights to shape strategy, manage risks, inform board oversight, and architect business transformations. Today's reality has organizations facing overlapping shocks from technological disruption, talent scarcity, shifting workforce expectations, and increased stakeholder focus on culture and workforce risks. In this context, the CHRO's value is no longer defined by flawless process execution alone (functional expertise), but by the capacity to exercise enterprise enterprise-level judgment through a people-focused lens (enterprise leadership) – bringing data, insights, and perspective to the decisions that shape strategy and long-term value creation[1].

Functional experts view their role as owning the HR agenda and driving excellence and flawless execution with HR programs, policies and processes (e.g., recruitment, talent, compliance, employee relations, compensation and benefits) that support the business strategy. They emphasize operational efficiency, service quality and effectiveness. **Enterprise leaders** act as strategic partners with their C-suite colleagues and focus on the performance and risk agenda of the entire company. They apply a people lens to questions about capital allocation, technology adoption, operating models, and talent while emphasizing what data is required to better inform those decisions. Enterprise leaders view HR as central to impacting growth, productivity, resilience, and reputation.[1,2,3]

The implicit distinction for evolving beyond functional expertise into enterprise leadership is often less about a perceived narrow scope of the role and more about mindset, language, presence (how and where CHROs show up) and leadership (how and where they choose to lead). This chapter focuses on three core opportunities through which CHROs can serve as effective enterprise leaders and impact business performance: working effectively with boards, collaborating with the CEO/C-suite and leading enterprise-wide business transformations.

Working Effectively with Boards

Boards increasingly rely on CHROs to help de-risk CEO/C-suite succession and safeguard a firm's short and long-term value.[4,5,6] CHROs performing as **functional experts** play an important role in this process. They support the board's talent and succession agenda by leading and guiding ongoing discussions. They often present "point in time" data on talent pipelines, candidate readiness, engagement scores and key development programs.

Discussions tend to focus on topics such as candidate slates for key roles, readiness assessments, bench ratios, individual and leadership development programs, culture, retention of key talent and emergency succession plans. Typically, less emphasis is on how the overall talent strategy aligns with growth targets, business outcomes and risk.

CHROs operating as **Enterprise leaders** further elevate the process by translating people data into a forward-looking strategy, helping to create a risk and value narrative**.** The focus is on whether the company has the capacity and capabilities to deliver value, execute the long-term strategic plan and whether the best talent resides in the most critical roles. Discussions emphasize the evolving capabilities required for current and future success, strategic and cultural fit of key talent, risk scenarios and mitigation plans to preserve leadership optionality across various scenarios. Finally, decisions are influenced by CHROs bringing-data driven insights, combined with unbiased judgments leading directors to describe them as excelling at balancing company and shareholder needs.

Enterprise Leader in Action: Unilever

- The CHRO at Unilever reframed the talent discussion with the board by expanding the conversation from pipelines, candidate slates and bench strength count to describing the 5–15 highest value-creating roles across the company and whether those roles are filled with top talent.
- They use people analytics to assess areas of greatest risk and describe scenario plans for mitigating those potential risks. This results in the board better understanding which senior leaders' departure would most damage firm performance or transformation momentum, along with retention risks and mitigation plans.

Working Effectively with the CEO and C-Suite

As CHROs collaborate with their CEO and C-suite colleagues, **functional experts** typically show up as a support leader with peers, ensuring HR workstreams are aligned with the business needs and priorities. Issues are typically framed in HR language such as policy, processes, compliance, engagement scores, and cycle timelines. CHROs are adept at measuring HR delivery quality and employee engagement. They often coach C-suite peers on ways to improve team dynamics and performance. By contrast, CHROs operating as **enterprise leaders** co-own enterprise outcomes with peers, and they are viewed as a peer architect of significant decisions, often joining debates on where to play and how to win. CHROs are fully embedded in strategic planning, capital deployment and risk discussions by proactively surfacing human capital opportunities and risks[1]. Finally, they add value by identifying business misalignments and keys to underperformance at the top. They exhibit strong commercial, financial and operational fluency and can inform and debate tradeoffs with the CFO and other C-suite leaders.

Enterprise Leader in Action: Moderna

- Moderna's CHRO has operated as an enterprise leader by formally taking on a dual mandate over both People and Digital Technology—using that combined scope to rearchitect how work, talent, and AI-enabled technology come together across the entire company.
- She co-owns major digital and AI decisions with the rest of the C-suite while anchoring them in workforce readiness and culture. The CHRO has led a shift from traditional "workforce planning" to "work planning" that deliberately allocates tasks between humans and AI system, influencing everything from clinical operations to back-office processes.
- As a key sponsor of Moderna's AI program, she has a deep partnership with OpenAI and the deployment of internal GPT-based tools, which reflect her active ownership of the digital agenda rather than a narrow HR-tech remit.

Driving Business Transformations

CHROs often play a role in supporting large-scale business transformations. As **functional experts** they have responsibility for leading the HR workstreams such as organization design, workforce movement, talent acquisition, retention, performance, and rewards. CHROs also support the change management agenda such as stakeholder mapping, change impact assessments, culture change, engagement, training and communication. Their role and advice is primarily within an HR remit.

By contrast, **enterprise leaders** co-architect major transformations – digital, operating model, M&A, cost resets – shaping strategy and execution alongside the CEO, CFO and senior team (1). CHROs challenge peers and the CEO on strategic choices, using people, culture and capability data to illustrate potential outcomes and reframe decisions. They leverage data - driven insights and technical knowledge, using workforce analytics and AI, to guide transformation and measure sustainable impact in business terms.

Enterprise Leader in Action: Booking Holdings

- One of the strategic priorities for Booking Holdings is to move from selling one-off travel products (e.g., hotel night) to being a place where a traveler can plan, book, pay, and manage the entire journey in one seamless, personalized experience powered by data and AI.

- To deliver a unique experience, Booking is transforming from a classic, highly transactional online travel agency into an AI-enabled travel ecosystem and payments platform. This transformation

requires building and scaling AI capabilities, influencing the geographies where work is performed, integrating once-separate verticals, and leveraging partnerships.

- Booking Holdings' CHRO plays an outsized role co-leading the transformation since executing a "connected trip" vision requires new skills, ways of working, and cultural "connective tissue" across brands, functions and partners.

In summary, being a functional expert is essential to running a world-class HR Function. However, while the functional skill sets and capabilities are necessary, they are not sufficient for CHROs to participate as enterprise leaders. Being an enterprise leader enables the CHRO to influence strategy and boardroom conversations.

Implications for Developing the Next-Generation of CHROs

While there are numerous articles on the capabilities required for CHRO success, several key capabilities and behaviors essential to becoming an enterprise leader are highlighted below:

Mindset:

- View role as a full enterprise owner of value and risk, not just a steward of HR

Differentiating Capabilities:

- Strategic, commercial and financial acumen to participate fully in strategy, capital allocation and portfolio choices
- Governance fluency and ability to translate human capital into board-relevant risk and value considerations
- Data literacy and leveraging workforce analytics to design decision-ready insights, not just reports

For CHROs and other senior HR leaders, the real career inflection point is to show up as an **enterprise leader** who owns a share of value creation and risk management, with people analytics as a core instrument. The shift from functional expert to enterprise leader requires CHROs to reorient their mindset around value and risk, applying enterprise-wide business knowledge and acumen to position human capital as a lever for strategic execution. By reorienting board interactions, C-suite debates, and transformation efforts around data-rich enterprise-level questions, CHROs can move decisively from functional excellence to playing a critical role in shaping the future of the enterprise.

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CHAPTER 13

Beyond HR: The CHRO as a Catalyst for Enterprise Transformation

By Melissa Anderson, Eva Rykrsmith, and Lynn A. McFarland

The role of the CHRO has reached a defining moment. Organizations are no longer navigating periodic disruption punctuated by moments of stability. They are operating within an unbroken cycle of reinvention, shaped by accelerating technology, increasing interdependence, heightened stakeholder scrutiny, and persistent uncertainty. In this environment, traditional models of functional ownership are insufficient (Ulrich & Dulebohn, 2015). The challenges organizations face today do not respect functional boundaries, nor can they be solved within them. As a result, the CHRO is emerging as one of the CEO's most critical strategic partners.

The CHRO has crossed a threshold—from functional leader to enterprise architect—responsible for shaping the conditions under which the enterprise can adapt, perform, and transform at scale. When the CHRO gets this right, employees experience the organization not as a set of systems to navigate, but as an environment designed for them to contribute, grow, and perform at their best. The implications of that shift are profound.

Why CHROs Are Uniquely Positioned to Lead Transformation

The modern CHRO sits at the intersection of strategic intent and operational reality. Organizations must adapt continuously to digital disruption, globalization, and shifting stakeholder expectations. This adaptability requires coherent leadership models, workforce strategies, decision rights, data foundations, and ways of working that flex with strategic ambition. This is the heart of enterprise capability, and the CHRO's mandate is to architect and continuously evolve it by designing HR systems that optimize human capital value and align with strategic needs (Boudreau & Ramstad, 2007; Lepak & Snell, 1999).

This mandate pushes the role far beyond traditional boundaries, requiring the CHRO to influence the business model with the same conviction as the CFO and to drive execution with the same confidence as the COO. When strategy shifts, the CHRO ensures the enterprise—its leaders, structures, and systems—shifts with it. In this evolved role, the CHRO is accountable not just for talent outcomes, but for enterprise readiness to deliver strategy.

The CHRO holds a uniquely comprehensive view of the enterprise. While other executives focus on the performance of their own domains, the CHRO consistently sees the organization as an integrated system through the combined lens of people, performance, capability, and culture. This enterprise vantage point reveals patterns that remain invisible to operational leaders whose attention is necessarily constrained by functional responsibilities.

That vantage point is reinforced by the CHRO's structurally distinct position in the C-suite. Operating simultaneously as a full peer on the executive leadership team and as a trusted advisor to its members, including the CEO, the CHRO is uniquely positioned to surface discrepancies between stated leadership intent and the lived organizational experience. As custodian of organizational truth, the CHRO carries responsibility not only for diagnosing these gaps, but for acting on them—knowing when to engage as a peer in collective decision-making and when to intervene as an advisor to challenge assumptions, recalibrate expectations, and realign the leadership and operating system with strategic intent.

The CHRO's role as truth-teller and system architect relies on the CEO's willingness to authorize rigorous diagnosis and to protect the integrity of that work when it challenges entrenched power structures or legacy assumptions (Charan, Barton, & Carey, 2015). When CEO commitment is present, the CHRO is empowered to operate across boundaries that would otherwise remain impermeable—intervening beyond the HR function to align leadership expectations, recalibrate operating forums, and elevate talent and capability decisions to the enterprise level.

Making the most of this opportunity demands a discipline of synthesis: seeing patterns across functions, markets, and layers of the organization; diagnosing capability gaps as strategy evolves; anticipating friction before it becomes visible; and aligning culture, leadership, and systems to enable enterprise-wide execution.

The Three Enterprise Roles of the Transformational CHRO

The CHRO designs the conditions for translating strategy into action, a mandate realized through three enterprise-level roles that guide transformation: a) Integrator of Vision and Strategy, b) Orchestrator of Execution, and c) Accelerator of Momentum. These roles operationalize dynamic capabilities at the enterprise level: sensing opportunities and gaps (Integrator), seizing resources to capture value (Orchestrator), and reconfiguring assets for sustained advantage (Accelerator) (Teece, 2007). Grounded in the reality of how complex change unfolds, they shape how the organization works, how culture is intentionally designed, and how employees experience their work.

Integrator of Vision and Strategy

As Integrator of Vision and Strategy, CHROs interpret signals from across the organization and the marketplace, translating noise into insight, and insight into action. This sensemaking function—converting ambiguity into coordinated action (Weick, Sutcliffe, & Obstfeld, 2005)—requires strategic acuity, diagnostic rigor, and an ability to connect patterns that others miss. The CHRO sees where energy is building, where resistance is forming, and where leaders may be misreading the moment.

The Integrator grounds the operating system in reality. This involves dismantling outdated accountability models and replacing them with adaptive structures, decision rights, and leadership practices that fit the company's strategic ambition. By intentionally shaping culture as a designed condition—the behavioral expression of the operating system—the CHRO ensures that employee experience reflects strategic intent, providing a shared environment where employees understand purpose, feel protected, and are empowered to perform.

Orchestrator of Execution

As Orchestrator of Execution, the CHRO ensures that transformation is coherent across functions, geographies, and business units. The CHRO aligns leadership expectations, capability plans, operating models, and cultural interventions into a unified transformation architecture. The Orchestrator meets leaders and teams where they are, using personal credibility and insight to influence adoption, guide alignment, and adapt interventions to context, ensuring that employees experience coherence, clarity, and support. They connect decisions that would otherwise happen in isolation. The Orchestrator role is where the CHRO ensures that all parts of the system move together.

In practice, orchestration translates coherence into coordinated action. When priorities, decision rights, leadership forums, and team norms are misaligned, transformation slows under the weight of ambiguity and conflict. When culture is reinforced through predictable patterns of collaboration, accountability, and leadership behavior, employee experience becomes a visible outcome of alignment: people encounter consistent expectations, clear priorities, and the structures they need to contribute effectively. These aligned, mutually reinforcing practices cultivate employee attitudes and discretionary behaviors essential for transformation (Delery & Doty, 1996; Kehoe & Wright, 2013).

Accelerator of Momentum

As Accelerator of Momentum, the CHRO reduces friction and speeds up the organization's path to outcomes. Acceleration involves more than urgency; it includes clearing structural bottlenecks, developing leadership capacity, prioritizing critical skills, strengthening collaboration, and embedding cultural mechanisms that reinforce desired behaviors. When the CHRO acts as Accelerator, organizations move faster not because they push harder, but because constraints have been removed and pathways have been clarified.

In practice, the Accelerator ensures new capabilities and ways of working take root. The CHRO shepherds this shift with equal measures of empathy and conviction, helping leaders internalize new expectations and align their teams. The HR team is activated to redesign operating models to reflect strategic intent, modernize workforce structures, develop readiness for future demands, and embed cultural mechanisms to reinforce momentum sustaining behaviors. Culture is reinforced as people experience tangible changes in work. Employee experience becomes the most reliable indicator of whether strategy is translated into reality—when norms shift, skills compound, and the organization begins to operate differently.

Together, these mandates—seeing clearly, aligning deliberately, and sustaining enduring change—embed true organizational agility in a world where transformation is perpetual. By embedding culture and employee experience into the architecture of the enterprise, the CHRO ensures that transformation is not only executed but **lived**, making strategy tangible and sustainable across the organization.

Looking Ahead: HR's Future Is Enterprise Architecture

As transformation becomes continuous, the CHRO's role will increasingly resemble that of an enterprise architect—designing human and organizational systems that allow the company to adapt, innovate, and grow. This evolution requires embracing enterprise leadership—fluency in systems thinking, organizational design, risk management, and technology-enabled capability building.

Organizations that get this right do more than perform, they make people better. They create environments where employees feel safe to speak the truth, stretched to grow, and empowered to bring their best. The CHRO who fully embraces this mandate becomes the defining force in how organizations navigate perpetual transformation, not just performance, but organizational resilience in an era where adaptability is the ultimate competitive advantage.

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CHAPTER 14

Outside-In Thinking for HR Leaders

By Peter Fasolo and Adam L. Steinbach

For decades, HR leaders have struggled to be viewed as strategic partners—trusted to shape enterprise strategy rather than administer policies and programs. Yet in many organizations, CHROs remain marginalized from the most consequential strategic discussions. Too often, HR is still perceived as a cost center or operational necessity rather than a driver of competitive advantage. These dynamic places the HR profession in a precarious position, one that is increasingly threatened by advances in AI, which can automate many traditional HR activities. Without a seat at the strategy table, organizations may increasingly question the size and scope, and, more importantly, miss out on the genuine strategic value that the best HR leaders can bring.

There is little question that skepticism persists among many CEOs, boards, business unit leaders, and other top executives regarding HR's value. But HR leaders do little to combat that skepticism when they focus inward on leading their functions rather than embodying a strategic orientation that signals their value and credibility to others at the table. When business unit heads encounter HR leaders who lack fluency in the business or default to generic "best practices," they are less likely to view HR as a source of strategic insight.

These challenges are not merely reputational—they are existential. If HR does not fundamentally rethink how it creates value, the profession risks being sidelined at precisely the moment when understanding the link between human capital and organizational success has never been more challenging. The path forward requires a clear call to action: HR leaders must adopt "outside-in thinking," grounding their work in a deep understanding of how value is created across the enterprise and aligning human capital directly to the levers that drive value creation and results that matter across the business.

What Is Outside-In Thinking?

Outside-in thinking begins with a simple but demanding premise: HR exists to enable the organization's strategy and value creation, not to optimize HR for its own sake. Rather than starting with HR frameworks or best practices, HR leaders must start with the business model and key levers for business success. Where does the organization create value? What differentiates it from competitors? Which capabilities and resources most directly contribute to value creation and drive success?

Understanding these questions requires HR leaders to think outside of their function, not just across the entire business but to its relationships with key stakeholders. Answering them positions HR not as a provider of typical HR services but as an architect of organizational capability—one that directly enables the growth and success of business units and the organization as a whole.

This shift towards outside-in thinking can help reframe HR's relationship with other organizational leaders. Instead of asking for a seat at the table, HR earns its place by contributing unique and valued insight that other leaders and stakeholders cannot get elsewhere. When HR leaders exhibit a deep understanding of the enterprise, demonstrate sound judgment towards real strategic challenges, and directly drive results that matter, they become indispensable strategic partners.

Learn the Ins and Outs of the Entire Business

Outside-in thinking demands that HR leaders become students of the entire business, not just the HR function. This requires deliberate effort, curiosity, and strong relationships across the enterprise. Spending time in the field with stakeholders across the entire value chain and observing how products and services are delivered can provide invaluable insights into the capabilities the organization truly needs. What do your customers care about? What challenges do your business units face throughout their respective supply chains? What changes are on the horizon from your R&D and digital teams?

Equally important is financial acumen. HR leaders must understand business unit profit and loss statements, cost structures, and levers for growth and productivity. This knowledge grounds HR leaders in the forces guiding important strategic conversations and frame talent decisions in terms that resonate with their senior colleagues. Equipped with this knowledge, HR leaders can make themselves and their function relevant to the questions that keep CEOs and boards awake at night.

Demonstrate Strategic Judgment

Many of the challenges that dominate executive agendas today—digital transformations, diversification initiatives, business model shifts—are characterized less by technical details than by ambiguity. These initiatives rarely fail because leaders miscalculate spreadsheets or choose the wrong technology. They fail because organizations struggle to align capabilities, resources, and culture in the face of change. In these moments, the people agenda is not adjacent to the strategy; it *is* the strategy.

HR leaders should be eager to engage in these opportunities, framing their involvement not as advocacy for the HR agenda on its own but as a key lever for enterprise success. This means approaching ambiguous challenges with curiosity rather than defensiveness, and with a willingness to wrestle with incomplete information alongside other senior leaders.

Critical to this engagement is over-preparedness. HR leaders who aspire to strategic influence must consistently arrive at these conversations equipped with a deep understanding of the business context—knowledge developed through the kind of enterprise-wide learning described earlier. Overprepared HR leaders do not speak in generalities; they translate talent and organizational issues into the language of execution and growth and connect the dots between ambiguity now and success later.

This level of preparedness enables HR to create win-wins on others' terms. They ask: What decision is the organization trying to make? What trade-offs are leaders facing? How can human capital be mobilized to make success more likely? By positioning HR insight as a means to help others succeed—rather than as a set of constraints—HR earns trust and influence. Over time, these contributions build a reputation for sound judgment. Leaders begin to seek out HR not because it is required, but because it adds value in moments that matter.

Tie HR to the Metrics That Matter

HR simply cannot be part of the broader strategic conversation if they do not value and speak to the metrics that define organization-wide success. While engagement scores and retention rates are important and have their place, they are insufficient on their own, especially amid perceptions of many CEOs and boards that HR's contributions are difficult to quantify and disconnected from the metrics that matter.

Outside-in thinking requires HR to translate human capital investments into outcomes that business unit leaders care deeply about. This might involve linking leadership development and retention to revenue growth in key segments, demonstrating how improved workforce capability reduces operational risk, or showing how your talent pipeline facilitates internal promotions and replenishment of critical roles (for more ideas, see "Tell Your Human Capital Story in 10 Charts"). The goal is not to abandon HR metrics, but to subordinate them to broader business outcomes.

When HR can credibly demonstrate its impact on metrics such as customer satisfaction, productivity, innovation, or financial performance, it fundamentally changes the conversation. HR is no longer defending its relevance; it is proving it. This evidence-based approach elevates the human capital agenda and strengthens HR's strategic standing as a result.

HR's Unique Opportunity

At a time when the HR profession faces questions about its strategic relevance, it is uniquely positioned to deliver serious value. Human capital sits at the core of most modern business models, and HR is the only function designed to steward talent, leadership, and capability across the entire enterprise. So often, strategy ultimately succeeds or fails through people, making HR's value distinctive and essential.

The CHRO role is also inherently more ambiguous than other C-suite positions, with an agenda that spans the enterprise without the rigid boundaries that define business units and other functions. While this ambiguity is often viewed as a weakness, it can be positioned as a strategic advantage. It enables HR leaders to operate across silos, integrate perspectives, and navigate complexity in ways others cannot. In environments characterized by ambiguity and change, this ability to synthesize and align is critical to business success.

When grounded in outside-in thinking, HR can function as a true integrative strategic partner. For the CEO, HR provides insight into leadership capacity, talent pipeline strength, and organizational readiness—factors that often determine whether a strategy is executable. For the CFO, HR translates human capital into financial and productivity outcomes. For boards, HR offers visibility into internal risks they often have little direct insight into, such as culture, leadership quality, and long-term sustainability.

Across the executive leadership team and the broader organization, HR serves as connective tissue—aligning incentives, capabilities, and behaviors with strategic priorities. This is not about control or compliance, but coherence. When HR anchors its work in enterprise value creation rather than functional optimization, it becomes integral to how strategy is shaped and executed.

Time to Step Up

The HR profession stands at a defining moment. Organizations will continue to scrutinize costs and question value, especially as AI continues to automate functional tasks. The only path forward is for HR to evolve—decisively and collectively—toward a more strategic identity. Because it sits at the heart of human capital and thrives in ambiguity, the HR field is uniquely capable of meeting this challenge. What it lacks is not potential, but consistent outside-in thinking. If HR leaders step up—by learning their entire business, exercising sound judgment, and delivering results that matter—the profession can secure its place as a true strategic partner.

Tell Your Human Capital Story in 10 Charts

- These 10 measures capture leadership, talent, culture, engagement, innovation and human capital financials related to the health and vibrancy of any company or firm.

1. Performance in Critical Roles

- No more than roughly 25% of jobs and people produce the most value. Identify them and report on the performance, potential, bench strength and retention risk of the incumbents.

2. Quality of Hire & Promotions

- Rather than cost per hire, time to fill or net promoter scores, show how your hires and promotions are performing over time and filling your succession pipeline.

3. Engagement

- Emotional attachment to the mission of the firm is related to higher performance and retention. Show engagement scores over time for key groups.

4. Ownership

- Ownership is different than engagement. It is about empowerment and direct control over results. Show how equity, stock, and ESOPs are distributed across the most critical value-producing teams.

5. Freshness Index

- Innovation spurs patents, new products and product life cycle extensions at a pace better than competition. Show the number and percentage of new product introductions for your R&D teams.

6. Innovation Sourcing

- It is imperative to know what percentage of new products come from inside the company versus acquisitions. This ratio is key to knowing where, who and how ideas are sourced over time.

7. Involuntary & Voluntary Turnover

- Most companies show only the turnover percentage without distinguishing quits and RIFs. Show the true cost of "leavers" and RIFs including severance, replacement costs and lost productivity.

8. Labor Cost

- Total labor costs include annual salary, bonus, equity, healthcare, vacation, and other benefits. Show this for full-time and contingent workers. It is a better measure than headcount.

9. Human Capital Value Add (HCVA)

- This measure shows the added benefit of your employees by subtracting pay and benefits from expenses less revenues and dividing it by FTEs.

10. Human Capital ROI (HCROI)

- This measure shows the investment of employees as HCVA but divides the numerator by pay and benefits, rather than FTEs.

CHAPTER 15

HR as a Growth Engine: Building the Talent System That Drives Shareholder Value

By Matthew R. Walter and Ronan Conlon

In today's competitive landscape, every part of the enterprise is fundamentally in the business of talent. Human capital has become one of the most significant growth drivers for corporations, with workforce-related investments consistently prioritized by organizational leaders. Attracting, deploying, developing, and retaining the right skills in the right markets at the right time is now essential for unlocking growth. The question is no longer whether talent matters, but how organizations maximize their talent-to-value model to drive sustainable success. HR plays a pivotal role in answering this question, by designing and operating human capital systems that create value.

To fulfill this mandate, HR must align people, organization, and culture initiatives with evolving business priorities. This requires a clear understanding of where the company aims to create shareholder value over the next several years and designing the workforce, structures, and ways of working to realize that vision. Research from Harvard Business Review highlights that large-scale transformations often fail when organizations lack a deliberate and integrated talent strategy, underscoring the importance of HR's role in bridging business goals with workforce capabilities. By exploring HR's evolving role in talent management, cultural transformation, and organizational alignment, we describe a blueprint for creating value through human capital.

The Evolving Role of HR: From Operations to Strategy

The role of HR in modern organizations has undergone a profound transformation, evolving from an administrative and operational function to a strategic partner integral to driving business outcomes. Traditionally, HR was primarily concerned with tasks such as payroll processing, compliance management, and employee relations—activities that, while essential, were largely transactional in nature. However, as organizations face increasingly complex challenges such as globalization, rapid technological advancements, and shifting workforce expectations, HR has been called upon to deepen its position at the center of strategy. Today, HR is no longer viewed as just a support function; it is a critical driver of organizational growth and innovation.

One of the most significant aspects of HR's strategic evolution is its expanded role in talent management. Attracting, developing, and retaining top talent are not isolated operational tasks—they are part of a much broader talent lifecycle value unlock that is pivotal to achieving long-term business success. Workforce development initiatives like reskilling and leadership training prepare employees to adapt to industry changes and foster innovation, while effective recruitment, engagement, and retention strategies boost organizational productivity.

HR also shapes organizational culture, a critical factor in driving performance. By embedding core values and performance standards into hiring, recognition, and development practices, HR creates a cohesive culture that aligns with enterprise priorities. Promoting inclusion further enhances collaboration and creativity, while fostering a sense of belonging that motivates employees to contribute to organizational success.

Finally, HR optimizes organizational systems to support strategic growth. Through workforce planning, team structure, performance management, incentive alignment, and streamlined value-streams, HR ensures the company has the agility and capabilities needed to adapt to evolving market conditions.

Business and Talent Strategies

In modern organizations, HR plays a critical role as the bridge that connects business strategy to human capital strategy, ensuring that workforce initiatives align seamlessly with the company's strategic priorities. Business strategies often set ambitious goals such as expanding into new markets, fostering innovation, or increasing efficiency. Achieving these objectives, however, requires a thoughtful human capital strategy that both supports and enables them.

One of HR's primary responsibilities in this role is to identify the workforce's needs that stem directly from the company's strategic vision. This involves asking key questions: What skills and competencies are required to achieve the organization's objectives? How should teams and roles be structured to maximize efficiency and innovation? What leadership qualities are needed to drive these priorities forward? How well HR answers these questions and develops and executes on a human capital strategy that best aligns with the organization's goals will determine how prepared the organization's workforce is to manage and adapt to present and future business challenges and opportunities.

Measuring HR's Business Impact

To function as a truly strategic partner, HR needs to both influence business results and accept responsibility for achieving them. As with any high-performance organization, its value is proven through results. Historically, HR metrics focused on descriptive data, such as turnover rates or headcounts. While these metrics are important, they often fail to capture the full contribution to organizational success. However, recent research shows that HR metrics, when integrated into advanced analytics models, can explain and even forecast organizational performance outcomes. This shift from descriptive to predictive analytics demonstrate HR's direct impact on business results and as a critical driver of growth. A practical way to measure

HR's impact is by focusing on outcomes tied to its primary levers for delivering shareholder value: people, organization, and culture.

The first lever, people, is central to HR's mission, and its impact can be assessed by focusing on areas such as quality-of-hire and talent productivity. Metrics like revenue per employee or the return on investment (ROI) of talent highlight how effectively an organization is optimizing the value of human capital.

Beyond talent, HR's influence on the organization is another area where its business impact can be quantified. Developing metrics focused on workforce alignment with business strategy, organizational efficiency, and total labor costs offer valuable insights into how effectively HR optimizes structures and capabilities to drive strategic growth.

Finally, HR's role in shaping culture is a critical driver of organizational performance. High employee engagement drives improved productivity, innovation, retention and culture outcomes. Similarly, employee Net Promoter Scores (NPS), which measure the likelihood of employees recommending their workplace or a specific service or solution, can provide a useful complementary indicator of cultural health and employee sentiment.

By holding itself accountable for business outcomes, HR elevates its role as a strategic partner and a key driver of shareholder value. Its impact is no longer confined to operational execution but is demonstrated through measurable results tied to people, organization, and culture. By quantifying its value, HR not only reinforces its credibility but also strengthens its influence by proving its role in driving strategic business success and in delivering an effective talent-to-value model for the organization.

Digital and AI: Enhancing HR's Effectiveness

Digital technologies and AI are fundamentally transforming HR, enabling the function to operate with greater speed, precision, and scalability. These advancements allow HR to deliver insight, experience, and impact at an enterprise scale. By leveraging digital tools and AI, HR can streamline workflows, provide personalized support, and reinvest in high-value activities that drive strategic growth. In practice, this transformation is evident in three key areas: extending HR's scale, improving the employee experience, and reallocating HR professional capacity to focus on highest-impact work.

Extending HR's Scale. Digital and AI tools empower HR to meet rising demands for support from managers and employees without compromising quality or efficiency. AI-enabled knowledge bases and workflow tools provide accurate, context-sensitive assistance directly within the flow of work, addressing routine queries and automating simple processes. Leveraging new capacity, HR can focus its human capital on complex, high-risk or strategic initiatives that demand judgment and specialized expertise.

Improving the Employee Experience. Technological advancements, such as automation, predictive routing, and natural-language interfaces reduce friction in HR processes, standardize policy application, and ensure greater consistency in employee interactions. These tools create seamless and personalized employee experiences, enabling faster and more efficient resolutions. HR's effectiveness can be measured through metrics such as the employee experience index, first-pass resolution rates, case resolution times, and HR's cost to serve. Improvements in these indicators highlight the positive impact of digital and AI, both in enhancing the employee experience and optimizing HR's operational efficiency.

Unlocking New Capacity. As routine tasks and transactional activities are automated or shifted to digital channels, new capacity is created to focus on higher-value contributions. Digital and AI technologies augment HR workflows, enabling HR to better shape strategy and make higher-quality, data-driven decisions that drive shareholder value. This, in turn, provides an opportunity to allocate resources to priorities such as workforce planning, leadership development and cultural transformation.By intentionally redesigning the human–digital HR operating model, organizations can ensure that HR is equipped to deliver value at scale while maintaining the flexibility to adapt to evolving business needs.

AI Beyond HR: Transforming the Broader Organization

While AI is poised to transform HR operations, its potential reaches well beyond the traditional scope of the function. AI has become a cornerstone of enterprise growth and innovation, enabling businesses to operate with unprecedented efficiency, agility, and insight. From automating routine operations and enhancing customer experiences to generating real-time, data-driven insights for better decision-making, AI is redefining how organizations execute strategy and deliver value for stakeholders. By embracing AI beyond HR, companies can unlock new opportunities for competitive advantage, operational excellence, and sustained growth.

As organizations scale AI across the enterprise, HR plays a unique role in enabling the enterprise to fully realize the opportunity AI presents. HR is central to re-engineering value streams and workflows, redesigning organizational structures and operating models, and managing the change and adoption curve. In parallel, as AI adoption accelerates, organizations must address ethical considerations such as data privacy, algorithmic bias, and workforce displacement. HR is well positioned to lead this effort by establishing clear principles for responsible AI use, fostering trust and transparency, and upskilling the workforce for the shifts that AI-driven transformation will inevitably bring.

Powering Shareholder Value Through HR

HR has become a pivotal driver of how value is created within organizations. Talent is one of the largest and most dynamic investments on the balance sheet, and the companies that succeed will be those that can mobilize people quickly, deploy skills precisely, and optimize their operating models for strategic growth. HR creates shareholder value by continuously aligning people, organization, and culture with the enterprise's priorities. This alignment requires deliberate choices about capabilities, mobility, structure, and ways of working, as well as the courage to challenge and revisit legacy assumptions that no longer serve the strategy.

To be successful, HR must operate and measure its impact in the same language as the business. By evaluating outcomes tied to its primary levers—people, organization, and culture—HR shifts attention from outputs to outcomes and impact. Metrics such as workforce productivity, employee engagement, and leadership readiness provide a clear and credible view of HR's contribution to business performance. When HR consistently demonstrates its value through measurable results, it solidifies its role as a strategic partner and a creator of enterprise value.

Digital technologies and AI further enhance HR's ability to scale its impact. These tools enable HR to operate with greater speed, precision, and scalability, empowering the function to provide insight, experience, and impact at an enterprise scale. From automating routine processes to leveraging predictive analytics for workforce planning and decision-making, digital and AI technologies allow HR to allocate more resources towards activities that drive growth. AI is reshaping organizations, enabling businesses to improve decision-making, enhance customer experiences, and accelerate innovation, reinforcing HR's critical role in enabling the people, skills, and operating models required for this enterprise-wide transformation.

In this AI era, HR can lead the charge in unlocking business growth. By aligning people, organization, and culture with where value is created, leveraging digital and AI to operate at scale, and measuring its performance in the language of the business, HR moves from supporting organization strategy to actively shaping and delivering it. In doing this, HR can cement its position as a strategic growth engine that drives shareholder value. The organizations that embrace this vision for HR will not only outperform their competitors but also build the resilience and agility needed to thrive in an increasingly dynamic world.

CHAPTER 16

Navigating the Change Curve: HR's Role in Corporate Transformation

By Christy Pambianchi and Matthew L. Call

Across industries from consumer products to telecommunications, technology, and industrial manufacturing: corporate transformations follow a predictable emotional journey. The real challenge is whether HR can help flatten the change curve—making the process less painful and more likely to succeed.

Today's businesses must transform at unprecedented speed and scale. Digital disruption, shifting customer expectations, regulatory pressures, and technological advances compress what once unfolded over years into months. Organizations navigate continuous, overlapping transformations while maintaining operational excellence. The question isn't whether to change, but how to build the organizational capability to do it faster and more effectively than the competition.

The change curve maps a journey through five stages: from uninformed optimism, through the valley of despair, to success and fulfillment. HR's role is to guide organizations through this curve and identify interventions that minimize misalignment and accelerate progress at each stage.

In the pages that follow, we outline these phases and explore HR's distinct role at each point. We emphasize HR's critical role as the bridge between three groups that experience transformation differently: executives who set strategic direction, managers who translate strategy into execution, and employees who must adapt their daily work. Transformation fails when these groups operate in isolation. Despite significant investments in change initiatives, research shows failure rates of approximately 70% (Beer & Nohria, 2000), often because organizations fail to effectively manage the human side of change.

HR's value lies in serving as the connective tissue by facilitating communication, surfacing concerns, identifying change carriers, and managing the tensions that inevitably arise when vision meets operational reality.

Stage One: Uninformed Optimism

Transformation begins with a leader articulating the vision: where we're going, why we need to go there, and why staying put is impossible. Without this burning platform, transformation never leaves the ground.

HR's first role is helping shape and deliver that message—not as propaganda, but as transparent truth. Creating a sense of urgency around the need for change is critical to overcoming complacency (Kotter, 1996). HR should partner with leadership to craft messages that resonate from the C-suite to the shop floor and enable managers to cascade those messages with credibility.

At this stage, people respond in one of three ways: "I'm excited and on board," "I'm not sure but I understand it," or "I'm not on board and I'm going to wait it out." All three are valid starting points. HR's job isn't to manufacture false enthusiasm, but to ensure everyone understands the strategic imperative.

This phase of uninformed optimism is marked by activity and energy. Maybe there's a new leader, product, or market. This is HR's opportunity to re-engineer systems that underpin change: refreshed job expectations, aligned reward structures, feedback loops, and updated training programs.

HR's Role: Bridging Three Groups

> **Executives** need the vision translated into strategic outcomes and resource requirements. They're asking: What will be different? What role do I have? What are the risks and timeline to value?
>
> **Managers** need to understand how the vision translates to their teams' daily work. They're asking: How do I explain this to my people? What specifically changes for my unit? What support will I get?
>
> **Employees** need to understand what the change means personally. They're asking: Is my job safe? Will I need new skills? Do I have a future here?

HR facilitates conversations across all three groups, surfacing concerns early and building alignment. The groups don't need the same message, but the right message for their role in executing transformation.

Stage Two: Informed Pessimism

Once vision is clear, the hard work begins: defining what success looks like in concrete terms. What structure will deliver outcomes? What metrics will track progress? Translating strategy into detailed plans makes ideas reality.

Research shows transformations fail not because the vision was wrong but because organizations never translated vision into actionable outcomes (Kotter, 1996). Lewin's (1947) work on change emphasized that sustainable transformation requires "unfreezing" old patterns, moving to new behaviors, and "refreezing" to institutionalize change. HR supports this by defining processes that drive outcomes and accountability.

This is when organizations transition from uninformed optimism into informed pessimism. The excitement of "we're going to climb Mount Everest!" collides with "we're at Base Camp One and this is harder than we thought." Unforeseen obstacles emerge.

Managers: The Critical Middle Layer. At this stage, HR's bridging role becomes most critical, with managers as the pivotal layer between executives and employees. Executives see the strategy. Employees experience day-to-day disruption. Managers must translate between these realities while keeping teams productive.

Key at this stage is finding true believers with credibility to drive change, even when leadership is not in the room. These don't have to be senior or in leadership roles. Sometimes it's a key account manager, engineer, technician, or trusted administrative assistant. HR needs to know who these informal leaders are to help stand up change infrastructure.

Voice of Reality Across All Three Levels

Executives need HR to surface strategic risks and capability gaps they may not see. Is the timeline realistic? Do we have the talent? Are there work groups that need more help?

Managers need HR to help align their teams and create feedback loops on what's working. Then managers must share insight with executives constructively. Managers need to lead teams through ambiguity and help them learn new ways of working. Managers are the glue between strategy and execution.

Employees need HR to help them understand how they fit and what's expected. When people voice concerns, HR should help leaders hear it as valuable feedback, not resistance.

HR's challenge: how do you help the organization be effective while making it safe for people to voice concerns? This unfolds differently at each level.

Stage Three: The Valley of Despair

This is the make-or-break moment. The gap between where we are and where we need to be feels insurmountable. Reality hits hard. Optimism evaporates. If leadership loses nerve, transformation dies.

This valley is where most transformations fail. Organizations underestimate the psychological toll of sustained change and overestimate people's capacity to absorb ambiguity (Armenakis, Harris, & Mossholder, 1993). HR's role is to normalize this discomfort as part of the journey while keeping focus on evidence of progress.

HR can remind leaders: "We knew this would be hard. We're exactly where we expected to be." HR needs to reframe setbacks as learning rather than failure. The organization needs to see problems being solved, not hidden. Transparency builds trust.

Identifying and Activating Change Carriers

Executives. Organizations need visible leaders with credibility who will be champions. For resistant executives, HR can channel that energy into problem analysis so they feel heard but contribute to contingency planning.

Managers. Informal leaders can matter more than titles—having them choose team members to drive change creates scalable impact.

Employees. Visible champions who embody the new way of working become powerful role models.

Effective HR leaders don't attack dissenters because most dissent from fear—fear they don't know how to do the new work, fear they'll lose their job, fear their expertise no longer matters. Instead, HR should create feedback loops to address concerns and involve employees in the change. Often underlying feedback contains real insights. Listening is powerful. Partner experts with employees who need support. Help leaders identify enough change champions to carry the organization forward.

One effective strategy: Prototyping. Organizations don't have to implement everywhere at once. In a technology company shifting business models, pick three accounts where relationships are strong for honest feedback. In retail, pilot select store formats. In manufacturing, pilot on one line before scaling. Learning happens by doing, and transformation spreads through stories, not PowerPoints.

HR should help leaders establish metrics tied to strategic outcomes. But equally important: when things don't go as planned, put failures in the open. Hidden failures fuel cynicism. Surfaced failures become learning loops that build trust.

Celebrate milestones visibly. When a manufacturing operation hits a milestone during transformation, the longest-tenured employee mark the achievement. When a services firm closes its first deal under a new business model, broadcast that success. These rituals give people hope that transformation is taking hold.

Stages Four and Five: Informed Optimism and Empowerment

As the organization sees sustained wins and learns from missteps, something shifts. People move from "this is harder than we thought" to "the pain is worth the gain." This is informed optimism, grounded in evidence.

The three groups begin to converge:

Executives see metrics improving and report progress with confidence.

Managers worked through operational challenges and developed muscle memory.

Employees see promised benefits materializing—new skills are valued, career paths are opening, the organization is getting stronger.

HR ensures people systems enable managers and employees to make transformation a reality every day.

Caution. Transformation fatigue is real. If transformation never ends, it becomes white noise. HR should help leaders declare victory at strategic moments. Even if leaders feel "we're only 30% there," HR should help them read the room. If the organization is exhausted, declare victory on Phase One: "We said we'd achieve X. We did. Celebrate. Now we're moving to the next challenge." Give people closure before launching the next wave.

In the final stage, transformation becomes "how we do things now." Communication remains important but focus shifts to delegation and empowerment.

Executives set direction,

Managers drive execution,

Employees operate with autonomy.

HR ensures systems enable distributed decision-making.

Storytelling becomes especially powerful—not about where we're going, but how we got here. These stories become organizational memories that make the next transformation easier.

HR as Architect of Transformation

Across all five stages, HR's role transcends traditional personnel management. HR becomes the architect of organizational capacity for change, constantly serving as the bridge among executives who set direction, managers who execute, and employees who must adopt and adapt. Understanding and shaping organizational culture is fundamental to this role, as culture determines whether change initiatives succeed or fail (Schein, 2010).

Building readiness for change—helping employees understand the discrepancy between current and desired states, believe in the appropriateness of the change, and feel confident in their ability to succeed—is essential to overcoming resistance (Armenakis, Harris, & Mossholder, 1993). This requires knowing the business, understanding how talent systems work, seeing different viewpoints, and having the courage and awareness to make the right decisions.

The change curve is predictable, but not how steep that curve will be. Organizations with HR functions that understand the curve, build capacity at each stage, facilitate communication across employee groups, identify change carriers at all levels, and surface problems early can flatten the curve, making the valley shallower, the climb faster, and the organization stronger. Organizations without those HR capabilities experience it more painfully, take longer to recover, and often fail to complete the journey. Executives get frustrated and pull the plug. Managers burn out. Employees leave.

Transformation isn't optional in today's environment. Every organization will face it. The real challenge is whether HR is prepared to serve as the connective tissue between executive vision, manager execution, and employee experience. HR's highest role in transformational change is not as a cheerleader for change, but as an architect of organizational capability that makes change not just possible but successful.

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CHAPTER 17

Technological Revolution and the Rise of Human Networks

By Rita McGrath

"The value of the platform provider is not in creating the nodes (whether people, things, or data) but in fostering the connections between the nodes." — Mark Bonchek and Barry Libert

Technological Revolution and the Rise of Human Networks

We are living through one of history's great technological transitions. As economic historian Carlota Perez has documented, these transitions unfold over decades following a predictable pattern: a mature technology regime plateaus, a new cluster emerges, disrupts existing industries, causes financial turbulence, and eventually transforms not just business but society's entire institutional framework.[i]

According to Perez's framework, we are in the "turning point"—the turbulent period between the installation phase and the deployment phase when new technologies become fully integrated into society. The deployment phase is when real productivity gains emerge, but this "golden age" can only be realized when institutions evolve to match the new techno-economic paradigm. Few roles are likely to be more pivotal than what we currently call "human resources."

In the information age, where value comes from innovation, adaptation, and connection, the model for how people connect and work together in organizations is changing – indeed, the very people engaged with an organization may not even be traditional employees, rather an extended ecosystem of contributors. Traditional views of advancement are changing as well. At Novartis, for example, the "future me" program encourages people to stop focusing on titles and promotions, designing instead a personal growth strategy aligned with their own purpose.

The Network Imperative

Mark Bonchek and Barry Libert propose a useful formula for understanding value creation in the network age: $E=MC^2$. Enterprise Value (E) equals the mass of assets—people, things, money, reputation, data (M)—multiplied by the exponential power of Connectivity and Co-creation (C^2).[ii] Indeed, many have suggested that increasingly the value of a firm can't be disentangled from the value of the ecosystem in which it participates. The most valuable firms on earth today have leveraged platform strategies, strategies that create value for all those who interact with the platform. [iii]

This captures the profound difference between industrial and network-age organizations. In traditional businesses, enterprise value roughly equals the sum of assets. But in networked organizations, connections create exponential value through network effects, proprietary data, and low marginal costs. As Stanford's Monika Brown notes, intangible assets represented just 17% of S&P 500 assets in 1975; today they exceed 90%.[iv]

The implications are revolutionary. As Bonchek and Libert put it: "We normally think of people as something to be managed... But consider the organization itself as a platform, connecting people who have ideas, skills, and work with the people who need them." You can think of individual skills as being leveraged by the organization to become organizational capabilities that can outlive the presence of any given individual who created them.

From Managing to Connecting

If the old HR model was about managing human resources—controlling inputs to optimize outputs—the new model must be about enabling human networks. The job is no longer to allocate people efficiently to predefined roles but to create conditions for productive connections to flourish.

In the traditional model, management designed processes, assigned tasks, and monitored performance. In the network model, value is created in the connections themselves—in collaborations, knowledge sharing, and collective problem-solving that emerge when talented people are connected and empowered. The relevant question shifts from "Did this person meet their targets?" to "Did this person create value?" Indeed, in particularly high-intensity, self-directed organizational cultures, value creation is both engaged with and evaluated by peers. Consider this observation about the employees at South Korea's fast-growing Fintech, Toss: "They are every employer's dream. They voluntarily seek out problems and tackle them with remarkable intensity. Toss has even earned the nickname "the lighthouse of Yeoksam" (the location of its headquarters) because its office lights are never off." [v]

Human Capital: From Headcount to Network Density

The traditional HR metric is headcount: how many people, at what cost, with what skills? The network metric is connection density: how richly connected are our people, internally and externally? How much value flows through these connections? Companies like Morning Star, the world's largest tomato processor, have pioneered self-management approaches that eliminate traditional hierarchies entirely. Employees negotiate "Colleague Letters of Understanding" with their peers, specifying commitments and expectations. The result is a highly adaptive network where decisions are made by those closest to the relevant information..[vi]

Intellectual Capital: From Hoarding to Sharing

Traditional bureaucracies often reward knowledge hoarding and employ business models seeking to dominate closed systems. Network thinking reveals that the value of knowledge lies not in possession but in flow—the speed with which the organization can learn reflects how well knowledge is shared and built upon. HR's role shifts from training (pushing knowledge down to employees) to enabling knowledge networks (facilitating knowledge flow in all directions). This means creating platforms for peer learning, communities of practice, and knowledge sharing across organizational boundaries. It means recognizing and rewarding people not just for what they know but for how effectively they share what they know.

Permissionless Organizations

Networked operations naturally lend themselves to distributed decision-making. Technology can now accomplish what previously required managers, leading to "permissionless" operations where decision rights move to those with the most knowledge.[vii]

Spotify organizes around autonomous "squads" with end-to-end responsibility, grouped into "tribes" and connected horizontally through "guilds." For HR, this creates interesting challenges: career progression becomes about expanding network impact rather than climbing hierarchy; compensation must account for multiple dimensions of contribution; learning becomes less about formal training and more about cross-pollination.

Pharmaceutical giant Novartis has embarked on "unbossing"—removing unnecessary management layers, pushing decision-making to the front lines, creating a more adaptive organization. For a 100,000+ person company in a heavily regulated industry, this is extraordinary. Rob Kowalski, their Chief People and Organization officer has been central to the transformation, redesigning performance management, restructuring career paths, and training managers to lead through influence rather than control.[viii]

New Metrics for a New Era

You get what you measure. Traditional HR metrics—headcount, cost per hire, turnover rate, training hours—measure the M in the equation, treating people as inventory to be acquired and managed. Network-age HR requires metrics that measure C^2: network density across organizational boundaries, knowledge flow velocity (how quickly ideas and best practices spread), collaboration breadth (how many people each employee productively collaborates with), external connectivity to customers and partners, and how often valuable ideas emerge from network interactions versus top-down direction. HR should measure the intensity and productivity of connections, not just the number of employees.

Deloitte has issued a call for HR to shift "from a specialized function that owns most workforce responsibility to a boundaryless discipline, cocreated and integrated with the people, business, and community it serves."[ix] This means democratizing access to people analytics, investing in leaders' ability to coach and develop skills, building alliances with peers across the organization, and experimenting continuously—because everything we think will work might not.

Old Emphasis	New Emphasis
How do we control and allocate human resources efficiently?	How do we enable people, assets, and systems to find each other and create value together—across every boundary that once divided them?
Fixed resources in static contact with each other (job slots, credentials, organizational units, roles specified in advance)	Fluid resources in continuous connection (talent ecosystems, variable employment relationships, just-in-time allocation of talent)
Hierarchical and vertical control, approval dependent	Distributed control, permissionless
Centralized, specialized people information and know-how; bosses are bosses	Democratized, distributed, people information and know-how; bosses are coaches

The CHRO as Chief Connection Officer

The CHRO role must evolve from Chief Human Resources Officer to something like Chief Connection Officer—the executive responsible for maximizing C^2 in the equation. Traditional responsibilities don't disappear; employees still need to be recruited, developed, compensated, and supported. But these transactional functions become the foundation for—not the focus of—the HR role. The strategic focus shifts to creating conditions for valuable connections to emerge and flourish.

The CHRO should be working on networking everything that touches human potential—connecting employees to each other, to customers, to partners, to ideas, to opportunities. The job is to build and nurture the human network that creates exponential value.

The Golden Age Awaits

Perez's framework suggests that great technological transitions can create golden ages—periods of broadly shared prosperity enabled by full deployment of new technologies. The mass production age, once its institutional framework was complete, created the greatest expansion of living standards in human history. The digital age promises something similar—if we evolve our institutions to match.

For organizations, reaching this golden age requires transforming how we enable human work. The industrial-age HR model—treating people as resources to be managed—must give way to a network-age model that treats people as nodes to be connected. The value creation formula shifts from E=M to $E=MC^2$. The job of HR shifts from human resources to human networks.

This is a fundamental reimagining of how humans organize to create value. It requires new structures, new metrics, new capabilities, and above all, new ways of thinking. The companies that figure this out first will have an enormous advantage. They will attract the best talent—because talented people want to be connected, not controlled. They will innovate faster—because networks outperform hierarchies at learning and adaptation. They will create more value—because connection multiplies what management can only add. The great transition is happening whether we're ready or not. The question for HR leaders is not whether to transform but how fast they can move. The future belongs to organizations that master the art of human networks. The golden age awaits those bold enough to build it.

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PART III

Talent

Turning People into Talent: Timeless Principles and Timely Actions

SECTION INTRODUCTION

Turning People into Talent: Timeless Principles and Timely Actions

By Dave Ulrich

Plus ça change, plus c'est la même chose. This 1849 French saying about 'the more things change, the more they stay the same' reminds us of the centrality of people at the core of organizations. In a changing business context (section 1) and evolving business strategies (section 2), people remain the core ingredients of any organization. In my first Organizational Behavior course, my mentor drilled into me the adage: organizations don't think, people do, and taught me to pay attention to how organizations shape how people think, act, and feel.

People in organizations have been labeled with many names, including: associates, colleagues, employees, human capital (energy or potential), members, partners, teammates, and workforce. Regardless of designation, when people have the competencies and commitment to respond to external conditions and deliver strategy, they can be called "talent", the name of this section.

In the age of HR, organizations with more and the right talent continue to differentiate and outperform those with less. While this talent principle has endured as long as organizations have existed, turning people into talent continues to evolve as indicated by outstanding chapters in this section.

Behrend and Sage point out that people (especially future-ready HR leaders) must learn as fast as the world around them is changing, which requires continuous reinvention, skill evolution, technology adaptation, and experimentation.

Collins tracks the evolution of employee experience from [1.0] moments that matter to [2.0] strategic and broad-based experience design to [3.0] future-oriented episodic, reflection, and day-to-day touchpoints creating personalized experiences.

Goldsmith and Ernst reinforce the importance of a talent philosophy that bridges business strategy and human potential. Their Workday case study demonstrates how to turn this philosophy into practice.

Huselid does a brilliant job showing that some talent ideas remain relevant: differentiation, analytics tied to strategy, and showing causation and accountability. He then shows how analytic capabilities can be woven into the talent agenda by four steps: Ask, Collect, Analyze, Influence. He then identifies questions that will help workforce analytics move beyond dashboards to improve business operations.

LaMoreaux, Brooks, Jordan, and Kryscynski report that AI can be an important enabler of talent by applying seven AI implementation principles. By melding technology and people, best practices evolve to best principles to ensure customized talent.

Ployhart affirms the centrality of talent and introduces a framework defining talent resources as a combination of three essential elements—Culture (the soul), Competence (the brain), Engagement (the heart)—that must align for strategies to succeed and deliver competitive advantage.

Tyson brings rigor to talent decisions with a 5i Model, a rigorous, ROI-driven framework for human capital decisions by segmenting talent and roles based on criticality and calibration of talent. This rigor enables leaders to strategically invest, improve, inspect, increase impact, and inject talent.

Collectively, these chapters remind and reinforce the timeless principle of turning people into talent. But, they go beyond with timely ideas, tools, and actions that ensure continual evolution of how talented people can deliver value to all stakeholders.

CHAPTER 19

The Learning Century: HR's Strategic Imperative

By Tara Behrend and Eva Sage-Gavin

HR's role has never been more strategic—or more urgent. As technology, demographics, and global competition transform work at unprecedented speed, the next generation of HR leaders must design talent strategies that are resilient, equitable, and built for continuous reinvention. This chapter advances one central idea: to thrive in the age of AI, HR must evolve from managing talent to orchestrating learning ecosystems.

By learning ecosystems, we mean integrated systems of work-based learning, credentials, partnerships, and internal mobility that evolve alongside business strategy. Technology alone will not create advantage. As Chris Ernst, SVP Talent & Chief Learning Officer at Workday, observed, "The technology is democratized. People are your differentiator." The future will be led by HR professionals who cultivate human capability with intention, transparency, and courage.

Over the past year, in conversations with leading CHROs and talent executives, we heard a consistent theme: the pace and complexity of change are unlike anything they have experienced. As Workday's Ernst noted, "AI is providing immediate benefits and unlocking productivity gains and efficiencies. The winning companies are now putting plans in place for how they reinvest those dollars in ways that create the next cycle of growth, innovation, and change for their companies." Rhonda Morris, Board Director at Workday and former CHRO at Chevron, shared, "I don't want AI to be a crutch. I want it to be additive." These leaders are not discussing incremental improvement. They are navigating continuous disruption across technology, talent markets, demographics, worker expectations, and competitive dynamics.

This uncertainty is not limited to executives. Workers themselves are navigating the same fog. They are increasingly unable to connect learning pathways to future opportunities with confidence or predictability. As Nickle LaMoreaux, SVP & Chief Human Resources Officer at IBM, observed, "For all of our employees, we publish the skills that are in demand in the organization that we see growing…Additionally, we also publish a list of skills that are declining, so everybody knows where they stand."

People pursuing skills training today are often making educated guesses about what will matter a year from now. In our research with over 900 community college students, more than 40% reported enrolling specifically to gain job-related skills for a first career or career change. Yet their confidence varied sharply by skill type. Students felt strongest in interpersonal and social skills—such as customer service, independence, and active learning—but far less confident in technical skills like data analysis and working with computers. At the same time, they believed those technical skills would be critical to their future success. This mismatch underscores a growing problem: individuals are being asked to plan for labor markets that are shifting faster than they can see.

For decades, workers were told to "invest in themselves" through degrees and credentials. That model no longer holds on its own. The needs of work are evolving too quickly for educational institutions to adjust curricula and build pathways in isolation. Learning, development, and skill acquisition are now more appropriately understood as a shared responsibility between workers and employers.

Leading HR organizations are responding by expanding work-based learning and rethinking where and when learning happens. Amazon, for example, has committed over $2.5 billion to upskill more than 50 million people through work-based learning. One such initiative, the Mechatronics and Robotics Apprenticeship, allows employees to begin with classroom instruction through higher education partners, followed by a year of structured, on-the-job learning alongside technical specialists—culminating in eligibility for full-time technical roles. This is learning embedded in work, not adjacent to it.

As Tim Massa, EVP & Chief Associate Experience Officer at Kroger, summarized, "We have to create space for people to learn."

For new HR leaders, this shift toward learning ecosystems translates into concrete design choices. One of the simplest and most effective actions organizations can take is offering paid internships. Research from the Strada Foundation shows that paid internships are a powerful predictor of later success. While more than 70% of students want to complete an internship, only about 25% have the opportunity to do so. Paid, well-designed work experiences reduce risk for workers and employers alike while accelerating skill development.

More broadly, future-ready learning ecosystems require HR leaders to:

- Shift away from degrees as proxies for capability, embedding skills-based hiring and assessment into talent decisions
- Adopt portable credentials that signal skills across roles, organizations, and industries
- Design frictionless school-to-work-to-school pathways, including returnships, tuition support, and modular learning
- Build innovative partnerships between employers, educators, and communities that create mutual value

These practices reflect a deeper change in mindset. As John Russell, Chief Technology Officer at Dominion Energy, noted, "It matters less and less whether you have a four-year degree. What matters is your ability to get things done." In socio-technical systems—where people, tasks, and technologies evolve together—employers must play an active role in shaping skills, supporting transitions, and sustaining adaptability.

Many organizations are already making this shift. Companies are investing in AI literacy across roles, and leaders are increasingly direct about what's at stake. As Ball Corporation's Mark Kaestner, VP for Talent Management, put it bluntly, "AI is going to become a fundamental skill. It is going to replace some jobs. It's going to replace people who don't know how to use AI." These investments are not incremental; they are central to competitiveness and resilience.

The 100-Year Life and the Shrinking Half-Life of Skills

Longer lifespans and longer working lives mean individuals will change roles and careers more often, potentially needing 60 or more years of economic resilience in a 100-year life. At the same time, the half-life of skills continues to shrink. For HR leaders, this dual reality has profound implications for workforce planning, career architecture, performance management, and retirement norms.

Companies are experimenting with rotational programs, phased retirement, and mentorship exchanges. As Walmart's Donna Morris observed, "It's out of date to think about a retirement age. We know that's not a reality." Workers at all stages of life require opportunities to reskill and reposition themselves. As IBM's LaMoreaux cautioned, "There is no correlation between the generations, continuous learning, up-skilling, and aptitude for AI… What it comes down to is your aptitude for curiosity, and your aptitude for learning."

AI is reshaping tasks and workflows, but it is not eliminating the need for people. Instead, it is increasing demand for complementary human capabilities—critical thinking, empathy, creativity, and communication. As Kroger's Massa shared, "AI can free us up to serve our customers and work more collaboratively, and cross-functionally with each other… it can help me be a better experience maker." Organizations are increasingly recognizing that hybrid skill sets, combining technical and human strengths, are essential to resilience.

Innovation Through Reinvention, Not Imitation

Highly effective CHROs recognize that this moment calls for reinvention, not replication. They are building talent systems grounded in curiosity, experimentation, and learning agility.

HR leaders adopting learning ecosystem models focus on:

- Designing integrated systems where technical and human skills develop together

- Embedding continuous learning expectations into job roles
- Forming deep partnerships with education and training providers
- Leveraging AI for skills transparency and internal mobility
- Treating employees not as assets, but as partners in organizational resilience

These efforts mark a shift from static job architectures to dynamic ecosystems of skills, learning, and movement.

What Separates Future-Ready HR Leaders

Across our conversations, several qualities distinguish HR leaders prepared for the future. They anticipate—not merely react to—skill shifts. They design learning ecosystems tightly aligned with business strategy. They embrace AI as augmentation rather than automation. They value transparency, mobility, and shared accountability for development. And they champion learning as a long-term strategic investment.

Most importantly, they keep human aspiration at the center of their work. As Walmart's Donna Morris said, "People want to be part of the future." And as S&P Global's Girish Ganesan, EVP & Chief People Officer, reflected, "We are conceptualizing an internal talent marketplace to support career lattices, flexibility, and reinvention."

Conclusion: The Learning Century

Learning is moving from the campus to the company—continuous, lifelong, and embedded in work. In today's digital economy, organizations are becoming education providers, creating pathways, building skills, and supporting mobility at scale. The competitive advantage of firms and nations alike will depend on how well they design and sustain the conditions for continuous learning.

For HR leaders stepping into this role today, this is not a distant future challenge—it is a present leadership test. Beyond preparing people for work, HR has an unprecedented opportunity to drive multigenerational, transformative change: cultivating curious, capable people who are ready to thrive in an era of constant reinvention.

CHAPTER 20

The Employee Experience

By Chris Collins

Over the last decade, companies have increasingly focused on the employee experience (EE) as a framework to impact employee attraction, engagement, and retention (CAHRS 2019). In this chapter, I will review the initial iteration of EE (EE 1.0), the current state of thinking on EE (EE 2.0), and my suggestions on how HR teams can more effectively manage and deliver EE (EE 3.0).

Employee Experience 1.0

In the face of a wide range of external forces – a surging economy, retirement of baby boomers, and employees' changing expectations and increased demands for better work environments – companies faced major challenges in attracting and retaining talent in the late 2010s. In response, HR leaders adopted a new mindset focused on a consumer-driven approach to HR leading the emergence of EE 1.0. This framework centered on understanding critical touchpoints – moments that matter – at different stages of the employee life cycle (e.g., attraction/recruitment, onboarding, development and career progression, offboarding). EE 1.0 included the adoption of some elements of design thinking, a flood of workplace apps (e.g., team collaboration, feedback, on-demand learning, and well-being), and the use of natural language processing and chatbots to support employees.

Through personal meetings with dozens of large organizations, it is clear to me that EE 1.0 failed to fully deliver the anticipated impact on employee engagement and retention. These disappointing results were partially the result of uneven implementation and feel across HR activities, apps, and services, resulting in disjointed and underwhelming experiences for employees. Additionally, the sheer volume of apps and online portals were overwhelming and training, access, and use cases for new apps and tools often lagged well behind implementation, leaving employees frustrated. Varying regulations, employee groups, and structure across employee sites made it difficult to implement similar transformations across locations, often leaving non-HQ employees feeling like second-class citizens. In the end, the COVID-19 pandemic radically changed work and demands on HR, leading many companies to temporarily push EE 1.0 efforts to the side.

Employee Experience 2.0

Post pandemic, we see additional fundamental changes in the employee-employer relationship. For example, we saw the great resignation followed by quiet quitting, increased employee activism, higher levels of employee stress and burnout, increased desire for flexibility, another generation entering the workplace, and the threat of continued disruptions from emerging technologies. Exacerbated by the ease of access to information driven by social media and AI, these trends turned employees into exacting consumers of the workplace who expect and demand fulfilling experiences. In response, organizations have developed a more mature, strategic, and wholistic approach to EE 2.0 leading to several significant changes, including:

1. **Start with a philosophy or higher-level strategy.** Companies that drive the best employee experience start with a higher-level strategy – often based on company culture, norms, and desired employee value proposition – to guide decisions and actions. Further, many organizations have created a role to help manage and guide this strategy and to put in place the underlying process and marshal resources to drive change management in support of EE 2.0.

2. **Recognize a broader set of factors.** Expanding on the initial actions of EE 1.0, best-in-class EE 2.0 frameworks include a broad set of HR and non-HR factors that shape the overall EE, including meaningful work (effective and supportive teams, clear connection to purpose, and autonomy), supportive managerial behaviors (vision, feedback, coaching), work design factors (culture, flexibility, human-centric policies), growth and development opportunities (learning for current job success, career paths and mobility, self-directed learning for long-term career interests), a positive physical workplace (attractive, engaging, and that embody the company's culture), and health and well-being (physical, mental, and financial).

4. **Consistent use of design thinking principles.** Design thinking methodologies are critical for HR leaders to support EE 2.0 as the underlying tools and principles enable companies to more effectively bring in the voice of employees to identify pain points, underlying root causes, and potential solutions. Additionally, this methodology generates more impactful experiences by first developing low fidelity prototypes, quick testing of ideas/potential solutions, and launching beta versions that improve through user input. Finally, design thinking concepts shape customized solutions and experiences by personas (e.g., roles, location, level, demographics) to meet the needs of unique employee groups.

5. **Engagement of senior leaders and other functional areas.** The employee experience should be owned by senior leadership and driven by HR with the support of other key enabling functions (e.g., IT, facilities, communications). Involving this broader set of leaders brings resources, expertise, and a company-wide focus to create a consistent feel and set of experiences for employees.

The Employee Experience 3.0

EE 2.0 offers a significant step forward in its potential to attract and retain talent, but many HR functions struggle with how to effectively shape and support it. The very nature of EE 2.0 – *it is the sum total of what an individual experiences in their time as an employee, shaped by many different factors and functions within a company* – makes it difficult for the HR function to manage. Below, I offer EE 3.0, a framework that offers a practical guide for how HR leaders can effectively manage the disparate elements of EE 2.0.

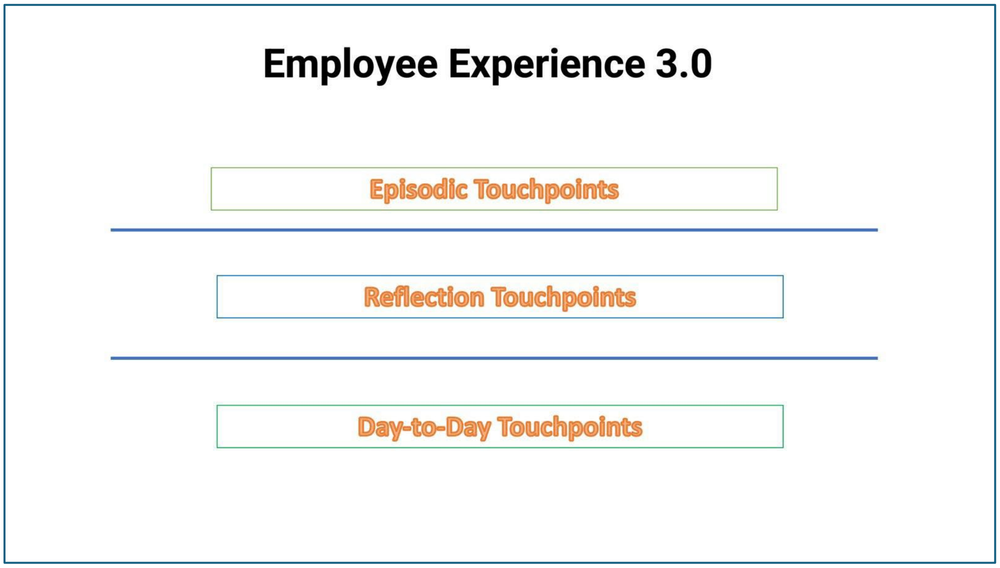

Figure 20.1 Employee Experience 3.0 Touchpoint Framework

Episodic Touchpoints

Episodic touchpoints are the HR-related experiences where users need personalized access to information, insights, or help at very specific moments in time related to points in an individual's employment journey, stage of life, or particular aspects of work that they are trying to complete. Some salient examples include information on a particular benefit (e.g., days of vacation, healthcare access, work policies), help in completing forms, or access to on-demand training for a specific task. These experiences are impacted by easy access to information that is accurate, up-to-date, personalized, and available when it is needed. Frustrations occur when these conditions aren't met, and the accumulation of these frustrations leads to dissatisfaction and lower engagement.

To successfully manage episodic touchpoints, HR leaders should create user-centric, self-service systems that provide consumer-grade functionality. Episodic touchpoints are best delivered with the combination of AI and chatbots that act as a digital assistant to provide detailed, personalized information with intuitive search functionality. The nature of this content and delivery mode creates an environment where episodic touchpoints can be highly customized to the individual by connecting inquiries to personalized information in the HR information system. HR teams can take this a step further by providing employees push recommendations based on time of year, life-stage, or earlier inquiries. This delivery model requires deep engagement from HR teams in centers of excellence and shared services and the involvement of technologists who can help design the architecture.

Reflection Touchpoints

Reflection touchpoints are the set of experiences that underpin employees' periodic moments of reflection when they evaluate the extent to which they are getting back from the company what they are putting into it. For many employees, there are points in the year (e.g., anniversaries, points in the performance or rewards cycle, contact by a recruiter) when they assess the extent to which they are growing and developing, seeing career progress, feeling rewarded and compensated fairly, etc. The conclusions that employees draw during these moments are driven by a wide array of experiences that happen through the course of a year such as having career dialogues, getting growth and development opportunities, learning new skills and capabilities, feedback and recognition.

Periodic touchpoints are best managed through a combination of human – supervisor and HR business partners – and digital (AI) interventions. HRBPs are critical for shaping reflection touchpoints as they can directly have conversations or take actions to impact underlying experiences or by coaching and enabling supervisors to have more effective conversations with their direct reports. AI is a great supplemental tool by serving as a digital career consultant that pushes career, job, and learning information directly to employees. AI can also be used to evaluate big data to understand patterns of when employees might be most likely to leave and push appropriate intervention suggestions (e.g., career discussions, salary improvements or spot bonuses) to supervisors and HRBPs. Collaboration between HRBPs, HR COEs, and line leaders can lead to a set of experiences that create a personalized feel for individual employees.

Day-to-Day Touchpoints

Day-to-day touchpoints are the array of experiences that most closely match the broad set of factors identified in the EE 2.0 framework, including the work itself, interactions with leaders and colleagues, the physical workplace, and technology. These touchpoints are shaped by a variety of leaders and individuals inside and outside of HR, requiring a greater amount of coordination to create a consistent, positive overall employee experience. Companies see large differences in the moments that matter by location and employee group. For example, the factors impacting the employee experience of frontline plant employees are vastly different from those impacting engineers in an R&D facility. Thus, day-to-day touchpoints are best managed at a local level. Pain points here are repetitive and can accumulate, building frustration that leads to disengagement and turnover.

HRBPs are in the best position to influence, shape, and manage these experiences through influence and collaboration with local leaders and other supporting functions. HRBPs should serve in a central coordinating role to collect the voice of employees, enlist other leaders and support functions in identifying and implementing change, and communicating actions to employees. Because these experiences simultaneously affect multiple employees, it is challenging to create a personalized feeling. Therefore, HRBPs should focus on understanding and addressing pain points for larger groups of employees in a role or location. AI is less helpful relative to other touchpoints, but it can be used to enhance gathering of employee voices and parsing and interpreting qualitative data to see patterns.

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CHAPTER 21

Talent Philosophy: Your North Star for High-Impact HR

By Ashley Goldsmith and Chris Ernst

Why do some organizations consistently outperform their peers, navigating a world of constant disruption with steady calm, while others stay caught in a cycle of quick fixes and strategic drift? The answer rarely lies in the balance sheet or a proprietary algorithm. Instead, the difference is found in the clarity of an organization's approach to its most invaluable asset: its people.

This represents both an incredible responsibility and an extraordinary possibility for HR leaders. In a world defined by change, we need a blueprint for aligning our people and processes to drive the business forward. That blueprint is your **talent philosophy**.

Bridging Business Strategy and Human Potential

HR leaders spend years refining talent practices like performance reviews, compensation, and development programs. These are the building blocks of our work, but we often inherit these programs or build them piece-by-piece over time. While they are essential, they are just the mechanics. What many companies lack is a clearly articulated talent philosophy that unites your HR practices and programs into a single engine that drives a high-performing culture.

> *A talent philosophy is a clear, unapologetic statement of how your organization views and manages talent. It serves as the "North Star" for every people decision you make.*

A talent philosophy helps you answer tactical questions, like, how transparent are we with our employees about compensation decisions? It also gives you the structural integrity to answer far more nuanced questions. For example, if a top performer delivers great results but fails to live your values, do you have the conviction to let them go? Equally important, do all of your managers know where your company stands on that question?

Without a philosophy, you're often just managing transactions. With one, you're leading an agile system capable of weathering tough headwinds. When built intentionally, a talent philosophy enables you to:

- **Make clearer, faster decisions:** It provides a shared starting point so you aren't constantly reinventing the wheel. It's a compass for what to prioritize and what to let go of.

- **Foster consistency:** It ensures the employee experience feels fair and predictable across every department and team. It removes the guesswork and prevents pockets of different rules from forming.

- **Bring out the best in people:** When expectations are out in the open, the mystery about what success looks like disappears. This cuts through confusion and builds real trust.

- **Build high-performing teams:** When you're clear about what you value, you naturally draw in people who "gel" building a community where everyone feels they truly belong.

Adding the Scaffolding: A Workday Case Study

Defining these principles in theory is one thing but implementing them at scale is another. Here's how we developed and activated our own talent philosophy at Workday.

After revolutionizing enterprise software in the cloud, Workday operated with a flexible, decentralized approach to talent. This successfully fueled our early disruptive energy for nearly two decades. However, as we grew to 20,000 employees globally, the unwritten rules about "the way we do things around here" became diffuse. They no longer served a workforce that spanned different geographies, generations, and perspectives.

We found ourselves in a position common to many large organizations. We had the *what*—the structured practices like goal setting—but we were missing the *why*. Without a deeply held philosophical underpinning, even the best tools can feel disconnected. We saw this in the areas of inconsistency that began to surface across the enterprise, from different interpretations of our values to a lack of clarity on how to grow your career at Workday.

To tackle the challenge head-on, our HR leadership engaged with Talent Strategy Group (TSG). Our goal was to create a unified, equitable, and scalable approach to talent management that drives high performance and enables career growth.

Recognizing that true change starts at the top, we brought Workday's entire Executive Committee into the process. This was not a passive exercise. It involved intensive workshops and candid debates aimed at finding the REAL answers across five talent dimensions. We pressure-tested each dimension against high-stakes, real-world scenarios:

- **Performance:** How do we define and measure individual success? We asked ourselves questions like: *If a team member hits every goal but leaves a trail of burnout behind them, are they truly a "high performer"?*

- **Behaviors:** What behaviors are essential to enacting our values, and what do these behaviors look like in action? For example, *at what point does a misalignment in values outweigh a contribution in results?*

- **Differentiation:** How do we recognize and reward exceptional work? We debated the nuanced promotion and compensation trade-offs required to truly move the needle for our top talent.

- **Transparency:** How open are we with our employees about performance, potential and talent practices? We pushed on the boundaries of what information we share regarding pay and progression, moving toward a culture of "no surprises."

- **Accountability:** What are the roles and responsibilities of managers and employees in driving performance and development? We defined the specific roles each must play to ensure development isn't just a "nice to have," but a business requirement.

Discussing real-world dilemmas as we built the framework moved our talent philosophy from a conceptual exercise to a practical compass. Our leadership walked away with shared conviction, fully aligned around our new approach to talent.

From Philosophy to Practice

Much like the blueprint of a house, a talent philosophy will not build itself. To weave our new philosophy into the daily flow of work, we moved beyond aspiration to deliver tangible impact across three critical pillars: **Clarity, Transparency, and Accountability**.

Our talent philosophy became a powerful lens, allowing us to see where our best intentions didn't match our daily reality. One example is our approach to performance management. While it served us well for years, once we held it up against our talent philosophy, we realized it no longer aligned with who we wanted to be. With our philosophy as our guide, we completely overhauled the process.

Driving Performance Through Radical Clarity.

For change to take hold, people need to understand the rules of the road without a decoder ring. We transformed our performance management communications by stripping away "business-speak" and replacing it with plain language. We moved to a simplified framework: performance is a clear reflection on the past year (Challenging, Successful, or Exceptional), while potential focuses on the road ahead (Enable, Grow, or Accelerate). We also partnered with our 'People Leader Sounding Board' to test the language and make sure it felt human and not corporate.

- **The Result:** Goal completion within our platform skyrocketed from 12% to 87%. When people know what's expected, they spend less time navigating ambiguity and more time driving innovation.

Building Trust Through Unwavering Transparency.

While clarity is about the words we use, transparency is the courage to use them. By sharing our new framework with all 20,000+ employees and making annual calibrations transparent, every employee receives a clear-eyed view of exactly where they stand and what their trajectory looks like. This isn't just about showing the math behind a pay range; it's about a cultural willingness to have the "hard" conversations out loud, ensuring that equity and meritocracy are felt experiences rather than just stated goals.

- **The Result:** By replacing guesswork with certainty, we saw a **35% decrease** in the number of employees dissatisfied with their growth path at Workday.

Embedding Accountability into the Fabric of Leadership.

Managers are the essential link between strategy and execution, and therefore, they must be the primary custodians of performance. We built manager-employee accountability into our technology platform: automating guided processes for career check-ins and implementing notifications for senior leaders regarding key metrics, such as one-on-one frequency and goal-setting completion rates. This ensures that people managers stay on track and that meaningful development conversations happen routinely, not just once a year.

We also superpowered our managers' coaching roles by enabling them with new tools and data. Through our People Leader Dashboard, managers receive real-time insights and "at-a-glance" talent health metrics, which help them better support their team's success.

- **The result:** After rolling out our new approach, 94% of our employees began holding regular check-ins, a 21% increase.

Factors for Talent Transformation Success

There are several non-negotiable factors that ensure a talent philosophy takes hold and delivers a lasting dividend for any organization.

- **Hands-on Executive Leadership:** A talent reset requires the full commitment of the executive team. Leaders must roll up their sleeves to debate sticking points and ensure HR priorities are linked to business outcomes.

- **Connection to Values and Behaviors:** Your philosophy must connect to your core values. Behaviors critical to success, like curiosity, empathy, and speed, must be tied to how people are managed and rewarded.

- **A Living, Breathing Commitment:** This isn't about crafting a static document or chasing a trend. It is a multi-year commitment to understanding your organization's soul and building the scaffolding to protect it.

- **The Intersection of Strategy and Technology:** Philosophy is the compass, and technology is the catalyst. By updating your tech stack to automate accountability, you can ensure your talent practices are consistent and equitable across the enterprise.

Architecting Human Potential

The challenges and complexity facing the modern HR leader have never been greater. But there's also never been a better time to make a meaningful impact. We are operating in a unique moment where the old ways of managing are giving way to a more intentional, human-centric partnership between people and technology.

This transformation requires a fundamental shift in how we view the HR function. It's about moving beyond the "what" of HR processes to the "why" of human connection and organizational purpose. When we align our talent philosophy with our business goals, we create a powerful synergy that unlocks the latent talent within our teams and empowers everyone to contribute their best.

CHAPTER 22

Workforce Analytics for Strategy Execution: Ten Years Later (2015–2025)

By Mark A. Huselid

In the 2015 edition of this volume, I sought to shift the conversation from HR measurement to workforce analytics as a strategic discipline. Many organizations systematically under-manage talent because they lack decision-quality information about the workforce—even when labor is their largest investment.

I proposed three linked moves for leaders (both HR and Line) who wanted to improve strategy execution through the workforce: (1) identify the strategic work necessary to execute strategy; (2) build differentiated workforce systems that enable that work; and (3) design measurement systems that connect workforce investments to business outcomes and reinforce accountability. Those ideas have aged well. However, the last decade has clarified a critical distinction: adopting analytics tools is comparatively easy; building an enterprise capability that reliably improves decisions is not.

That distinction - between "doing analytics" and "building a decision system" - is the anchor of this update. The 2015 framework provided the "what" and "why." This paper adds the "how" by integrating that logic with the ACAI model (Ask, Collect, Analyze, Influence) to make workforce analytics repeatable and scalable, especially in complex multinational organizations.

Three Ideas from 2015 That Aged Best

Differentiation Is the Strategy

Not all jobs are equally strategic. "A" positions matter for strategy execution and exhibit high variability in individual performance, offering the greatest upside from improvement. Great firms manage their workforce like a portfolio, investing disproportionately in the highest-return strategic work. However, many organizations still allocate investment by hierarchical level - systematically misallocating scarce resources.

This portfolio logic remains foundational but countercultural because it requires explicit trade-offs: determining where the organization will compete for distinctive advantage through talent and where it will standardize or "satisfice." A "one best way" approach applied uniformly across roles will underperform a differentiated approach anchored in strategic priorities.

The practical test: Can senior leaders name the five to ten roles that matter most for executing the current strategy, and explain why those roles warrant disproportionate investment? If not, the organization is managing talent by default, not by design.

Analytics Must Be Anchored in Strategy Questions- Not in Available Data

Measures are, in essence, "answers to questions." The right process begins by identifying strategic capabilities that drive success, then clarifying capability gaps and the work required to close them – and only then determining what to measure. Data abundance creates a false sense of progress. It is now easy to produce dashboards filled with metrics but difficult to answer questions leaders need to execute strategy.

The antidote: enforce a simple rule—no measurement without a prior decision context. If a metric does not help a specific decision-maker choose between competing alternatives, it should not be produced, regardless of how easy it is to generate.

The Point Is Causality and Accountability, Not Activity Metrics

In 2015, I argued for moving from tracking HR activities to understanding the impact of workforce attributes on business outcomes. Leaders need a model of "what causes what" in the workforce, particularly because there are often long lags between talent investments and measurable results.

Correlation is abundant, causation is rare, and the difference determines whether workforce investments deliver returns or waste resources. Organizations that lack a causal model cannot learn from experience because they cannot distinguish signal from noise. Workforce analytics requires theory, not just technique. Theory identifies what should be measured, specifies expected relationships, and provides a basis for interpreting unexpected results.

The Big Update: From "Analytics" to "Capability"

The biggest change since 2015 is organizational, not methodological. Today, many firms have workforce analytics functions, but too many remain detached from strategy, insufficiently differentiated, and weak at influencing decisions. Workforce analytics should be understood as a strategic capability, not merely tools or techniques.

In a recent paper in *Organizational Dynamics*, my colleagues (Dana Minebaeva, Martin Edwards, and Alec Levenson) and I argued that workforce analytics should be understood as a strategic capability, not merely tools or techniques. This shift has several implications. First, it emphasizes the entire workforce as a strategic asset and recognizes that certain "A positions" disproportionately drive value creation. Second, it treats analytics as an organizational system requiring coordination across HR, IT, finance, and line management. Third, it recognizes that in multinational corporations (MNCs), workforce analytics must function as a dynamic capability that adapts to dispersed workforces, fragmented HR systems, varying compliance environments, and different cultural interpretations of "performance."

MNCs and complex domestic firms cannot succeed with one-size-fits-all approaches. What works in one geography may fail in another because the context, regulatory, cultural, operational, is different. This led us to develop the ACAI model as an operating framework for producing more strategic, credible, and actionable workforce analytics outcomes.

Integrating 2015's Strategy-Execution Logic with the ACAI Operating Model

ACAI—Ask, Collect, Analyze, Influence—keeps workforce analytics anchored in strategic priorities while adapting to the realities of global operations. Each element addresses a common failure mode.

Ask: Reassert the Primacy of Strategic Inquiry. ACAI begins with the right starting point: begin with strategic priorities and the roles or workforce attributes that truly drive success, not with available data. The "Ask" step is where differentiation becomes concrete. If leaders cannot specify which work and roles matter most, they cannot credibly prioritize analytic attention, data integration investments, or leadership focus.

In practice, "Ask" requires senior leaders to articulate a small set of questions that, if answered with data, would materially improve workforce decisions. Examples: What is the performance distribution in our most strategic roles? What competencies predict success in those roles, and how does our talent pipeline compare to future demand? Which workforce interventions have the largest causal impact on outcomes we care about most?

Organizations that skip the "Ask" step inevitably default to measuring what is easy rather than what is important.

Collect: Move from "The Data We Have" to "The Data We Need." Once questions are clear, organizations must collect data tailored to those questions. More data are not always better; relevance and quality matter more than volume. In MNCs, noncomparable systems can undermine inference. For example, a "high performer" may be defined by objective metrics in one country, peer rankings in another, and manager judgment in a third. "Collect" is a design decision about what must be standardized globally, what must be adapted locally, and what safeguards are required to maintain trust.

Analyze: Choose Methods That Fit the Question, Grounded in Theory. Method choice should follow the strategic question, not the other way around. Technique selection should be driven by the decision at hand, not by methodological fashion. Theory helps distinguish correlation from causation and reduces spurious patterns. The analytic goal is credible inference about how workforce investments translate into outcomes over time. Simple methods applied rigorously often outperform complex methods applied poorly.

The "Analyze" step requires attention to statistical literacy among decision-makers. Workforce analytics professionals must translate technical findings into actionable insights and communicate uncertainty without undermining confidence.

Influence: Treat Adoption and Accountability as Part of Analytics. "Influence" is the biggest separator between high-maturity and low-maturity analytics efforts. Data-driven insights have little value if they do not shape managerial decisions and organizational behavior. Influence should be designed into the system from the start. Decision rights, review cadences, incentive structures, and operating rhythms are the mechanisms by which analytics becomes execution.

Practical tactics include: embedding workforce analytics in strategic planning and budgeting processes; creating "forcing functions" (e.g., quarterly talent reviews) that require leaders to act on data; and establishing clear accountability for workforce outcomes. Influence does not happen by accident—it must be deliberately engineered.

What the Multinational Lens Adds: Four Refinements

Strategic Roles Can Vary by Geography—and by Time. In global settings, the strategic importance of jobs may differ by region. "A positions" should not be treated as a single universal list; rather, the organization needs a consistent logic for identifying them, applied with contextual specificity. This insight applies domestically as well. Identify strategic roles based on their contribution to strategy execution and performance variance, not tradition or hierarchy.

WFA Must Be Iterative—Because What Matters Shifts. ACAI is iterative: as market conditions, technologies, and strategic priorities shift, organizations must revisit questions, refine data collection, and apply new methods. Strategic jobs that matter today may not be the same five years from now. Treat workforce analytics as a continuous process of inquiry and learning, not as a one-time project.

Culture Is Part of the Causal Story. Culture influences how employees respond to workforce initiatives, interpret feedback, and react to leadership behaviors. What works in one cultural context may not work in another. Workforce analytics must be culturally calibrated, involving local expertise and qualitative interpretation to ensure insights reflect on-the-ground realities. For example, a retention intervention designed around individual career mobility may succeed in individualistic cultures but fail where collective stability is valued more highly.

Ethics and Trust Are First-Order Design Requirements. Advanced analytics raises concerns about privacy, fairness, and transparency. Embed responsible data management, informed consent, and bias checks into every ACAI step, treating ethics as integral to trust and long-term viability. Organizations that use workforce data in ways employees perceive as intrusive, unfair, or opaque will face resistance. Adopt a "privacy by design" mindset, engage employee representatives in governance decisions, and communicate transparently.

Updating the Competency Model

In 2015, building workforce analytics capability required skills in critical causal thinking, principles of good measurement, estimating relationships between workforce attributes and outcomes, and communicating results to line leaders. Ten years later, those capabilities remain necessary—but ACAI implies two additional requirements.

Governance-by-design competencies: the ability to build privacy, fairness, and trust safeguards into the analytic lifecycle from the start, rather than bolting them on later. This includes understanding regulatory requirements, designing data architectures that protect sensitive information, and establishing ethical review processes for high-stakes decisions.

Decision architecture and change capability: the ability to design where and how analytics will influence decisions so outputs become credible guides for action rather than decorative scorecards. This requires skills in process design, stakeholder engagement, and organizational politics—competencies rarely taught in analytics programs but essential for impact at scale.

Together, these additions reflect maturation of the field. Today, success depends as much on organizational design and change management as on statistical technique.

A Refreshed Question Set for Leaders in 2025

If measures are answers to questions, the integrated question set looks like this:

- What strategic capabilities must we build—and what work creates them?
- Which roles are strategic (high impact, high variability)—and how does that portfolio vary across geographies and business models?
- What data do we need (not merely have) to measure strategic work and capability gaps, and how will we ensure relevance, quality, and comparability?
- What is our causal model of how workforce investments drive outcomes over time—and how will we test and update it?
- How will analytics influence decisions—and who is accountable for acting on insights?
- How will we embed ethical practice and maintain trust across the analytics lifecycle?

These questions reflect that workforce analytics, done well, is not an HR initiative—it is a strategic discipline that shapes how the enterprise competes and executes.

Closing: The Same Core Idea, with a Sharper Execution Path

The 2015 argument: treat workforce decisions as strategic, focus on the work that matters most, differentiate investments accordingly, and connect measures to outcomes and accountability. Ten years later, the conclusion is not that this was wrong—it is that realizing it requires a disciplined operating model and an organizational commitment that extends well beyond the HR function.

ACAI provides that model. It keeps analytics anchored in strategy (Ask), prioritizes relevance over volume (Collect), insists on theory-driven rigor (Analyze), and treats adoption and accountability as the endgame (Influence). Used iteratively, it positions workforce analytics as a durable strategic lever—an enterprise capability that adapts as markets, technologies, and strategic priorities shift.

In 2025, the message is direct: workforce analytics is not a dashboard. It is a disciplined way of running the business so that scarce analytic attention and talent investment flow, again and again, to the work that creates the most value. The tools have improved, the data are more abundant, and the methods are more sophisticated. But the fundamental challenge remains unchanged: building a repeatable system that helps leaders make better workforce decisions, execute strategy more effectively, and create sustainable competitive advantage through talent.

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CHAPTER 23

Best Principles (Not Best Practices) of Modern AI Adoption in HR

By Nickle LaMoreaux, Brandie Brooks, Kelli Jordan, and David Kryscynski

Our perspective on AI in organizations is pragmatically optimistic. Rather than viewing AI as an existential threat to employment, we see it as a powerful tool to motivate organizational redesign and, ultimately, unlock new types and ways of work that create new value.

We recognize that the business world favors best practices and clear solutions, but we eschew this logic, especially in the fast-moving work of integrating AI into organizations. Successful AI implementations are deeply integrated into your company's unique and complex organizational systems and practices. Efforts to copy and paste what other organizations have done will almost certainly lead you to inefficient and ineffective tools that don't quite match your unique needs. Rather than proposing a set of AI "best practices" for HR organizations, our goal is to lay out a set of AI "best principles" that can help you evaluate when and how to integrate AI in ways that are best *for you*, and that fit with your unique mission, vision, values, culture, and strategy.

Principle 1: Start Small to Go Big

Integrating AI into modern HR work can be daunting, in part because much of the rhetoric is all-inclusive and overarching. Words like overhaul and revolution capture the anticipated impact of AI in organizations but can also create barriers to getting started. While we agree that the long-term impact of AI may be substantial, we also caution against the wholesale implementation of tools that may yield unexpected, complex outcomes. Just as AI can vastly simplify, it can also overcomplicate. Starting small allows focus on well-defined problems that offer opportunities to learn from contained situations with clear outcomes and then scale.

We have three suggested ways to start small:

1. *High-volume transactions*. Identify a process that is time-consuming solely because it occurs frequently. By leveraging AI and automation, this quickly unlocks time for your teams to focus on higher-value work. IBM's 300,000+ employees submit more than 162,000 leave inquiries a year. By training the AI to answer questions about the various leave policies, the HR Business Partner organization was able to redirect a significant portion of its time to coaching managers and focusing on more strategic projects.

2. *Signature moments*. Look for important, memorable moments that matter to humans. At IBM, this was an employment verification letter – an infrequent request, but very important when employees need them. IBM's prior process was outsourced to a vendor and usually took a few days to get a response, causing unnecessary stress for employees completing mortgage applications or college paperwork for dependents. By automating this experience through AI, employees can now generate and send an e-letter within 30 seconds.

3. *Unusually bad experiences*. Some processes are just so clunky or poorly designed that you can't possibly make them worse – why not experiment? For IBM, this process was employee transfers. Managers execute over 90,000 employee transfers a year, and the process took roughly 15 minutes per transfer – and it only worked correctly 80% of the time. 10% of the time, the transfer went through but was done incorrectly (and later needed to be fixed), and the other 10% needed to be escalated for expert support. Now with AI, managers can easily transfer an employee by interacting in natural language – the process takes two minutes and is 100% accurate.

Principle 2: Clarify the Problem to Solve

Modern rhetoric about AI suggests that it is a panacea, but this approach can be misleading and dangerous. AI implementation, especially when embarked upon carelessly, can create just as many (or more) new problems as it potentially solves. It is critically important to focus on which specific problem we want AI to solve. We suggest four guiding questions:

1. *Is there a clear problem?* If you cannot articulate in a few sentences the single greatest problem you hope to solve, then you may be falling prey to panacea logic and setting yourself up for a messy and overly complicated AI implementation experience.

2. *Is this a problem worth solving?* Amid the many organizational priorities and challenges, it is essential to step back and honestly ask whether the problem we hope to solve with AI is worth solving. Is there a clear ROI for improving this? If not, you may lack the motivation to see it through to the end. And, of course, it is likely that the costs of implementation will overwhelm the benefits of solving a relatively unimportant – or unsolvable - problem.

3. *Where are we going to do this?* It is also critical to specify the scope of the potential solution. Will this be focused on a single process or system, or multiple processes and systems at the same time? Will this be limited to a single department, or will this be a cross-department solution? Will this be a global or a country-specific solution? This scope can help you limit the potential exposure of the AI implementation while you learn.

4. *Does this require AI?* While AI is powerful, not all problems are best addressed through AI solutions. It's important to remember that AI is not your only modern tool. Simply put, some solutions don't require AI at all.

Principle 3: Traditional Process Improvement Prepares the Path for AI

Classic process-improvement logic reminds us that organizations are very good at perpetuating outdated and inefficient processes and procedures. Over time, organizations add new processes and procedures, resulting in bulky, unwieldy entities hindered by antiquated work. Adding AI to unwieldy systems may increase, rather than reduce, organizational complexity.

Traditional process improvement, on the other hand, can prepare the path for effective AI implementation. We recommend a simple three-step approach:

1. *Eliminate*. Remove unnecessary and antiquated processes and procedures.

2. *Simplify*. Clean up the remaining processes and procedures to their most essential elements.

3. *Automate*. Implement AI to effectively automate reduced, simplified processes.

Starting with traditional process improvement ensures that your organization is well-prepared for the increased sophistication of AI tools. For example, IBM eliminated multiple employee leave categories that were deemed unnecessary and simplified approvals that were slowing down processes (and seen as a "rubber stamp").

One key is to clarify whether AI is most effective as an add-on to your existing process, or whether it can enable you to start from scratch and reimagine the process altogether (as we discuss in the next principle).

We also note that this is a principle, not a rule. Progress is better than perfection, and it is important that you do not let process improvement slow down the potential gains from AI implementation.

Principle 4: Seek New Organizational Design with AI

When you have an existing and potentially high-performing organization, it can be easy to fall into the trap of just adding AI. We think of this as "+AI" rather than "AI+." Your organizational processes and systems were likely imagined and constructed in a world without AI, and they are built to navigate complex organizational systems in which people are the only entities capable of complex cognitive processing. Simply adding AI to these kinds of organizational systems may limit the true potential of AI implementations.

Tesla learned this lesson when it tried to fit a high-performance electric vehicle into the chassis of a Lotus, originally designed and built for an internal combustion engine. The result was a cramped vehicle that was difficult to design and build. When Tesla shifted to the Model S, they effectively threw out the rulebook and started from scratch. Rather than exploring how to fit an electric powertrain into an internal combustion engine chassis, they asked what an electric car would look like if they started without any assumptions about the past. This led to several key design innovations unique to electric vehicles that enhance the vehicle's overall utility, beyond what could ever have been possible within the traditional combustion engine framework.

Instead of asking how AI can improve existing processes, it may be more powerful to step back and ask whether the process would even be necessary with AI. If so, what would it look like if you started from scratch and AI was an integrated part of the process design?

For example, rather than asking whether AI can help you predict when someone is ready for a promotion, you might step back and imagine what career ladders and internal mobility would look like if you could more effectively and flexibly match employee skills and goals with organizational needs, and then consider whether AI could enable this kind of internal mobility and flexibility.

Principle 5: Be Aware of Your AI Readiness

As organizations embark on their AI implementation journey, we observe significant differences in their readiness for this transformation. We suggest three guiding questions that you can ask to quickly assess your own readiness for this kind of transformation:

1. *Do we have the capacity?* Beware of simply adding AI to everything you were doing yesterday. You may need to add capacity by simplifying your preparation, adding organizational resources, or a combination of both.

2. *Do we have the skills?* AI integration requires new kinds of skills that may not be present in your organization. Have you laid sufficient groundwork for AI to succeed?

3. *Do we have the vision*? You must paint a clear picture of what the future with AI looks like, so that the humans who must live and work with it understand their roles, opportunities, and new work realities.

By investing in capacity, you ensure that employees have the time and energy necessary for successful implementation; by investing in skills, you ensure that employees can work with AI; and by investing in the vision, you ensure that employees have the appropriate motivation to work with AI. Don't shortchange yourself on this principle; technology is the easy part, but behavior change and skill-building will ensure your success.

Principle 6: Unlock Human Potential

Much of the rhetoric in organizations focuses on replacing humans with AI, yet the history of innovation has a companion story. Each time human work is replaced by technology, it enables previously unimaginable value creation. While these transformations involve uncomfortable human reskilling, they also lead to broader improvements in human well-being.

It is essential to maintain an ethical lens as you embark on these AI journeys. In addition to embracing the practical potential, you may need to provide support and psychological safety. They will be more engaged in the success of AI implementation if they understand that they will have a meaningful part in the organization beyond it. While you cannot guarantee wholesale job security, you can proactively invest in skills development and communicate a desire to help employees maintain their employment through the AI transitions.

As you embark on your own AI journey, we encourage you to step back and imagine what work you wish you could do but can't, due to the day-to-day grind. Considering this may enable a different question as you approach AI: what might you accomplish that you couldn't before? Use AI to *unlock*, rather than replace, human potential.

Principle 7: HR Is a Critical Enabler of AI Success

It can be easy to fall into the trap of seeing AI as a purely technological challenge. But it is a challenge embedded in *human* organizations. AI will change what work humans do, how you interact with each other, and how you interact with the technology. Organizations have technical experts to address technology challenges, finance teams to handle financial matters, marketing teams to capitalize on marketing opportunities, and HR to address the inherently human elements of work. Integrating AI into the modern organization requires a fundamental redesign of workflows, skills, career ladders, training and development, compensation design, benefits analysis, and every other central human-related challenge and opportunity. HR, as the experts on human issues within the organization, must be central to any AI implementation to ensure long-term organizational success.

Concluding Thoughts

If you believe the principles above, then our concluding point should be obvious: AI implementation is not about doing what everyone else is doing; it is about enabling your company to do what you do best and finding ways to do it even better. Thus, we reject the notion that there are best practices and easy solutions you can put in place to achieve the same benefits as your competitors. The most effective AI solutions will apply best principles, like those we outline above, to customize AI to your organization based on your specific needs and readiness.

CHAPTER 24

Talent Resources: A Framework for Winning Strategies and Exceptional Performance

By Robert E. Ployhart

Talent is critical for driving business performance. Creating the talent needed to implement business strategy and deliver value for stakeholders is the purpose of Human Resources (HR). Business strategy determines where, how, and why a firm will compete and grow. The "why" of business strategy is based on resources, and talent resources are a key part of the strategy. Talent strategy is the process of identifying the types of talent resources needed to deliver the right types of talent, in the right place, and at the right time, in a manner that will deliver exceptional performance. HR practices are then used to implement the strategy and ensure talent resources are acquired, developed, and retained in a manner that will sustain competitive advantage. And yet, despite all the attention strategy gets, many underperform or fail. Firms often do not have close alignment between talent and business needs. For example, many tech firms over-invested in talent acquisition during the COVID pandemic trying to keep up with strong business growth. Just a few years later, these same firms eliminated thousands of jobs as demand weakened.

One of the main reasons that even the most thoughtful strategies fail is because leaders don't give sufficient attention to what talent *is*. Talent is not a singular thing; it is a constellation of a person's knowledge, skills, abilities, personality, and values that contribute to job and organizational performance (Ployhart, Weekley, & Dalzell, 2018). In turn, talent resources are the collection of these individual characteristics that the firm must orchestrate and leverage to deliver value to stakeholders. It is the management of talent resources that leads firms to be more innovative, deliver exceptional service, and be more productive. And, it is the nature of talent resources that makes it difficult for competitors to duplicate these outcomes. Talent resources thus enable competitive advantage and protect it from competitors. Consider Disney as an example. Competitors may be able to duplicate or even surpass some elements of the customer experience, but the magic created by Disney employees is nearly impossible to copy or recreate.

Therefore, talent resources are what enable firms to deliver exceptional performance and differentiate from competitors. There are many different types of talent and talent resources. These may include abilities, skills, intelligence, personality traits, work values, preferences, motives, and interests. These characteristics may further combine in complex ways, similar to how the elements of the periodic table combine into compounds.

Culture, Competence, and Engagement

However, all of these different types of talent, and their corresponding resources, can be collapsed into three broad types: *culture*, *competence*, and *engagement*. Competence is whether the organization can do the work, engagement is whether the workforce will do the work, and culture is how they do the work. If an organization was a human body, then competence is the brain, engagement is the heart, and culture is the soul. These are the talent resources that every leader must manage and orchestrate in the service of business strategy and performance. They should work together and the more they are aligned internally, the more they create synergies that create exceptional value and are difficult for competitors to copy. Figure 1 provides an illustration of the talent resource framework.

First, culture is the soul. Schneider, Ehrhart, and Macey (in press: 14) define culture as "…the shared understanding of the interdependent layers of beliefs, values, attitudes, and norms that have evolved over time…" Culture helps workers identify why work is done and how it gets done. All organizations differ in their cultures (and cultures may even differ within different parts of large organizations). Some cultures foster collaboration while others foster competition; some emphasize integrity while others emphasize results. Culture is what it feels like to work in an organization; what you sense when you walk into an organization; what people do when nobody is looking. Culture and leadership are closely intertwined but they are not the same. Culture exists before and after leadership transitions. As a collectively shared sense of why an organization exists, culture will determine the extent to which new strategies, initiatives, and leaders are supported.

Second, competence is the brain. It is the collective human capital, the aggregate knowledge, skill, ability, and related characteristics like intelligence and personality, that exist within the firm (Ployhart, Nyberg, Reilly, & Maltarich, 2014). Competence captures whether employees "can do" the critical work, and their proficiency to do so with expected standards. Business units with higher quality competence talent resources, demonstrate greater customer (e.g., satisfaction; net promoter scores), operational (e.g., productivity) and financial (e.g., profit; sales-per-employee) outcomes (Ray, Essman, Nyberg, Ployhart, & Hale, 2023; Zhang, Van Iddekinge, Ployhart, Arnold, & Jordan, 2023). Turnover can reduce or eliminate these relationships, but in general the effects of higher quality talent resources demonstrate robust empirical relationships with strategic business outcomes that most generate value to stakeholders.

Finally, engagement is the heart. McFarland, Ployhart, Shepherd, and Ward (2024: 1432) define collective engagement as "…a holistic motivational construct that emphasizes fulfillment that occurs through work and is characterized by vigor, dedication, and absorption during the experience of working…" Engagement is more than job or company satisfaction, it is a motivational construct that leads workers to sustain high effort and mindfulness, which leads to greater performance. A workforce with greater collective engagement has less turnover, more collaboration, and delivers better customer and financial performance (e.g., Harter, Schmidt, & Hayes, 2002).

Culture, Competence, and Engagement in Practice

All three talent resources, culture, competence, and engagement, must be considered in combination. Any attempt to create new business or talent strategy must begin with an assessment of the current talent resources, their quality and quantity, as well as what will be needed to deliver the strategy. To illustrate, consider a firm implementing a new artificial intelligence (AI)-enabled performance management system. This system may have superior technological capability, demonstrated effectiveness in prior use cases, and be generally well-received by employees. It should work well in a new firm, correct? The answer is not so simple. First, will the culture support the AI adoption? If the company culture is highly risk-averse, the workforce and leadership are unlikely to support it. Second, does the workforce have the competence to use it? Are they technically and digitally proficient to use the technology? Third, is there sufficient engagement? If there is low or uneven engagement, then workers are unlikely to exert the extra effort to learn the technology and apply it naturally on the job.

The talent resource framework also helps understand how the resources work together. A firm that has the necessary competence and engagement will still find the AI adoption fail if it is inconsistent with company culture. A firm with a supportive culture and is highly engaged, but lacks the necessary competence, will ensure the AI adoption is difficult or fails. Lacking an engaged workforce, it will not matter much if the culture and competence is ready for AI because workers will lack motivation to adopt it. Thus, the talent resource framework provides a set of checks and balances to determine if the firm is ready for AI—or any other type of change. Further, the talent resource framework can be used to assess the likely impact of environmental disruptions on a firm's strategic talent resources. Political polarization may erode culture and engagement, but not necessarily competence. A new leadership team may affect engagement but not competence and culture. Thus, different environmental disruptions may have different consequences for the management of talent resources (e.g., Ployhart, Schepker, & McFarland, 2022).

Talent resources are a key source of competitive advantage. Recognizing that talent resources are always comprised of three interrelated types—culture, competence, and engagement—gives leaders a framework to evaluate their existing talent, assess their talent readiness for change, and build winning strategies to create stakeholder value and sustain competitive advantage.

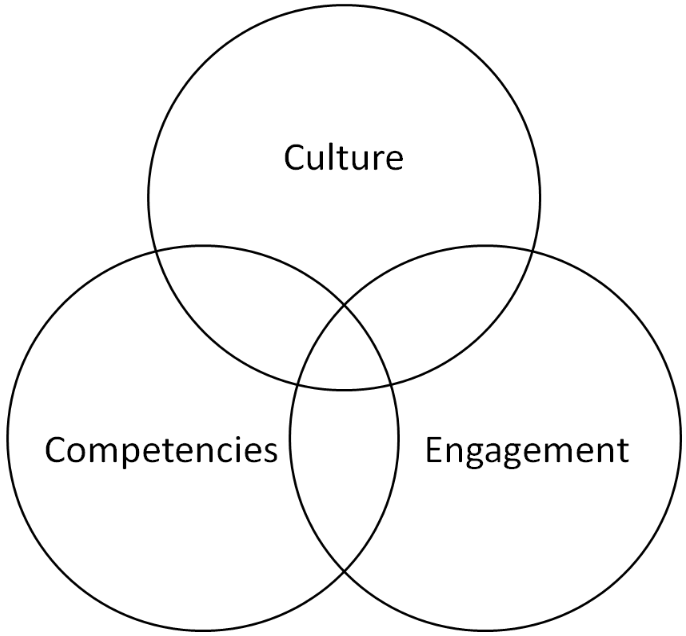

Figure 24.1 Talent Resource Framework

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CHAPTER 25

The 5i Model: A Strategic Framework for Talent Management

By Holly Tyson

Why is it that in an era where human capital is the most critical competitive advantage, many companies don't apply the same rigorous return on investment analyses to their talent as they do to their financial investments?

The vast majority of companies operate with limited resources. Every financial investment—whether in equipment, technology, or market expansion—undergoes ROI assessment, either explicitly or implicitly. Leaders constantly ask: Where will this dollar generate the greatest return? The 5i Model brings that same rigor to human capital decisions and provides a systematic approach for maximizing the impact and accelerating the development of the highest caliber talent to drive successful achievement of an organization's strategy.

Understanding the Framework

The 5i Model begins with a simple two-by-two matrix that creates a lens for viewing talent deployment. On the vertical axis sits "Criticality of Role," ranging from core roles at the bottom to competitively differentiating roles at the top. On the horizontal axis lies "Caliber of Talent," progressing from core talent on the left to top talent on the right. The segmentation of both roles and talent in this model requires tough choices and prioritization, and a relational comparison within the company versus an absolute measure.

Defining Role Criticality

Competitively Differentiating Roles represent the small subset of positions—typically fewer than 10% of an organization—most closely aligned with executing the company's strategy. These aren't the most senior positions, though they can be. Rather, they're the roles that will make or break the organization's strategic objectives over the next three to five years.

Consider a pharmaceutical company focused on a specific therapeutic area. Key R&D positions researching a particular mechanism of action in the therapeutic area become competitively differentiating roles. Once that strategic priority is achieved and the company pivots to a new therapeutic focus, the roles aligned to the shifting strategy will become competitively differentiating. The key is understanding that as strategy evolves every three to five years, so too must the designation of which roles are most critical.

When identifying these roles, companies should consider three factors: the position's impact on revenue, its role in managing risk, and how integral it is to achieving strategic priorities. Many make the mistake of simply designating their executive team as competitively differentiating. This misses the point entirely. For example, a company whose growth strategy is focused on a small but fast-growing geography or product line might make certain leadership positions in that area far more competitively differentiating than some C-suite roles.

Critical Roles form the next tier—positions essential to keeping the organization healthy and managing risk. A chief accounting officer or chief information security officer, for instance, may not be aligned to a specific strategic growth initiative but remains absolutely vital to the company's ongoing success. Together, Critical and Competitively Differentiating roles should comprise the top quarter to a third of an organization's positions.

Core Roles represent the vast majority of positions in any organization. These are the "keep the train on the tracks" jobs—essential for day-to-day operations but not differentiating in the market. They should never be ignored or undervalued, as they form the foundation of organizational execution. These roles will also be most apt to be automated through AI to drive more efficiency in positions that are more administrative and non-client-facing.

Calibrating Talent

Top Talent are the rare individuals who combine exceptional track record with demonstrated potential. They should represent less than 10% of your workforce—a select group that senior executives know personally and intimately understand. These are people proven to excel across different roles and can be deployed wherever the organization needs them most.

Some organizations use the “top 3 boxes” of the performance and potential 9Box to identify the top talent. My personal definition of potential boils down to one question: Does this person know what to do when they don't know what to do? Have they shown the resourcefulness, resilience, and intellectual curiosity to figure out the unknown? Can they recognize patterns from past experiences and apply them to current challenges? Can they solve problems in unfamiliar environments? Someone who consistently demonstrates these qualities across multiple unfamiliar situations is top talent.

Key Talent are those exceptional at specific skill sets. They're the go-to experts in technical domains or proven leaders in particular contexts. Unlike top talent, they may not thrive in any situation, but they excel consistently in their areas of expertise. Similar to the role segmentation, an organization's Top and Key talent should be no more than a quarter to a third of the company's talent in order to prioritize and focus on the individuals who will accelerate their development and impact the most.

Core Talent make up the vast majority of the organization. Like core roles, these employees are essential to operations—the backbone of the company's ability to execute its work.

The 5i's in Action

When we overlay these two dimensions, four quadrants emerge, each with its own strategic imperative. Together with a fifth element that sits above the matrix, they form the 5i Model.

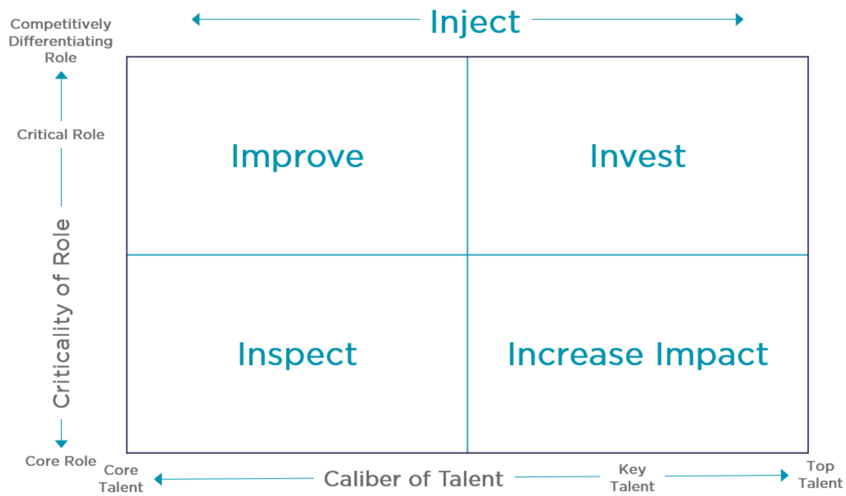

Figure 25.1 The 5i Talent Model

Invest (Upper Right). When top talent occupies competitively differentiating roles, the mandate is clear: invest differentially. These individuals should be paid above market and above their peers. They need exposure to global strategy, access to senior leaders and potentially board members, and participation in the key initiatives vital to achieving the company's objectives. This is where competitive advantage is built.

Improve (Upper Left). This quadrant is often the most uncomfortable—and the most impactful. Here, core talent occupies competitively differentiating or critical roles. This is where companies must hold up the mirror and make difficult assessments about whether the current incumbent is as effective as the organization needs them to be.

When this gap is identified, three options exist: invest, move, or remove. If you believe the person has the core capabilities and potential to reach the required level of performance in a top role, invest quickly in accelerated development. If the investment won't work in the necessary timeframe, move the person to a core role where they can continue to contribute. If neither option is viable, removal from the company may be necessary. These are difficult decisions, but this quadrant often drives the greatest organizational transformation when leaders have the courage to act.

Inspect (Lower Left). The inspect quadrant will become increasingly critical over the next several years. Here, core talent performs core roles—and companies must rigorously examine whether these positions still need to exist. Can they be automated through AI? Can they be outsourced? As technology advances, human capital should be reserved for work that truly requires human judgment and creativity.

Beyond scrutinizing role necessity, this quadrant represents the funding source for differential investment elsewhere. At its core, the 5i Model is a capital allocation approach—a way of treating human capital with the same rigor as financial capital. In resource-constrained environments (which is to say, all organizations), trade-offs are necessary. To fund above-market investment in the top right, resources must often come from the bottom left.

Increase Impact (Lower Right). When top talent or key talent sits in core roles, their impact must be increased. Sometimes this placement is intentional—a developmental rotation to build a specific skill set. But if a top talent individual remains in a non-critical role without a clear developmental purpose, action is needed.

Two approaches work: move the person into a competitively differentiating role (shifting from bottom right to top right), or add scope to their current position. Give them exposure to global initiatives, strategic projects, and work outside their day job that accelerates their development while increasing their impact on the organization.

Inject (The Fifth i). Above all four quadrants sits the fifth i: inject. This represents the most competitively differentiating roles at the very top of the organization—positions where companies must constantly compare internal talent against world-class external candidates. The mandate is to inject top talent into these roles wherever it will make the biggest impact, whether that talent comes from inside or outside the organization. This can often be difficult to carry out, particularly in companies where growing internal talent is a stated value and focus. However, targeted injection of perspectives from outside the company or industry can challenge ways of working and raise everyone's game.

Putting It Into Practice

Look, this isn't easy. The 5i Model forces conversations that many would rather avoid—which roles actually matter, whether your people are really as good as you think they are, and where you're going to find the money to invest differently.

But here's the thing: not all roles are created equal, and not all talent is the same. Pretending otherwise might feel more democratic, but it's not strategic. Companies that treat human capital with the same discipline they apply to financial capital—making clear-eyed assessments, tough trade-offs, and deliberate choices about where to place their best people—are the ones that win. The 5i Model simply makes those choices explicit and actionable.

PART IV

Leadership and Organization

Building Leadership for an Uncertain World

SECTION INTRODUCTION

Building Leadership for an Uncertain World

By Rebecca R. Kehoe

In the now-perpetual state of disruption and uncertainty in which organizations operate, models of effective leadership must evolve to keep pace. The HR imperative in this regard is one of strategic anticipation—deciphering future leadership demands and building the organization's leadership infrastructure and capability accordingly.

The chapters in this section offer insights into how leadership needs are evolving. The authors share insights into the increased importance of leaders in shaping how employees experience their work, how organizations navigate ambiguity, and how strategies, policies, and values are translated into the everyday decisions and behaviors that govern the organization's operations.

The call is not for HR to invent an entirely new set of leader competencies – but rather to pause and reflect on which leadership qualities and responsibilities hold the greatest importance as organizations move forward in this landscape.

The first three chapters emphasize leadership readiness. Here, readiness refers to building a capacity to lead *before* disruption occurs. It relies on deliberate investment in leadership infrastructure and capacity over time and provides a basis for consistency and predictability within a broader context of change.

Hourigan and Harney emphasize the importance of leaders in consistently modeling organizational values in their day-to-day work, establishing the decision-making frame that guides action in times of crisis. They share reflections on Home Depot's approach to navigating the Covid-19 pandemic, wherein leadership's long-standing grounding in values such as "doing the right thing" and the organization's inverted pyramid leadership model paved the way for consensus on prioritizing the safety and well-being of employees over concerns related to potential lost sales or profits.

Avedon and Nyberg discuss the notion of readiness in terms of "sustainable leadership continuity," highlighting that transitions – particularly within leadership – are moments when value creation and destruction may be amplified. They propose that organizations should treat leadership succession as a discipline and propose a system of eight interrelated elements that ensure readiness for smooth, strategy-aligned leader transitions.

Wright, Nyberg, Schepker, and Steinbach argue that AI will fundamentally change what leaders do – shifting focus from administrative to strategic. To prepare, the authors reflect on insights from a survey of 176 CHROs who shared their perspectives on the changing roles of leaders, the competencies needed to support leadership responsibilities and essential investments by organizations to ensure leader readiness for AI-driven transformation.

The next three chapters emphasize the role of leaders in providing clarity. As organizations and employees navigate the introduction of new technologies, evolving competitive landscapes, and new ways of working, leaders play a critical role in employees' sensemaking – providing shared understanding and meaning amidst uncertainty and noise.

Meisner, Nelson, and Morris call on leaders to act as translators of the organization's culture through presence, listening, and modeling – emphasizing that this role requires leaders to work and learn alongside employees to ensure that their efforts remain rooted in the organization's day-to-day work. The authors share four principles that define the approach taken by leaders at GE Aerospace – Defining Culture as an Outcome, Turning Leaders into Decision Enablers, Defining Culture through Behaviors, and Building Culture through Iteration and Continuous Improvement.

As AI changes the nature of work, McDonald and Pieper note the importance of leaders in defining the organization's purpose for AI, setting expectations for how AI should and should not be used, and articulating ethical boundaries and guardrails. They emphasize that leaders at all levels must develop a comfort with ambiguity. While leaders' AI-related roles will vary across levels, the authors suggest that, universally, encouraging experimentation and normalizing mistakes will be critical in leveraging AI as a reality of modern work.

Taking stock of the increased prevalence of virtual work in the post-pandemic economy, Bell considers the nuanced demands on leadership in today's increasingly virtual and hybrid work settings, where employees' reduced opportunities for face-to-face interaction and real-time feedback amplify their need for clarity from leaders on issues ranging from goals and expectations to coordinating work and solving problems. He shares five leadership functions that have exhibited increased importance in virtual settings – several aimed at offering clarity when leaders and employees are not consistently collocated.

The final chapter in the section emphasizes the essential role of leaders in centering employees in decisions related to how work is designed and how people are led. Kimmet and van de Voorde urge leaders to establish employee well-being as a leadership priority – redefining the employee value proposition to align with what employees need and want. This will require leaders to question yesterday's conventions (e.g., about where and when work gets done) and to revisit their expectations regarding work but offer promise in helping employees to build sustainable careers and enabling organizations to build people-centric cultures that last.

Together, these chapters underscore the critical and evolving role of leadership in guiding organizations through ambiguity and change. The imperative is to ensure organizations invest in leadership for both today and tomorrow, that leaders provide clarity as employees navigate complexity, and that leadership aligns its priorities to the needs of employees.

CHAPTER 27

Steering Through the Storm: HR's Strategic Role in Managing Culture through Uncertainty

By Tim Hourigan and Brian Harney

The Certainty of Uncertainty

In the current business landscape, uncertainty has transitioned from a periodic challenge to a permanent state. Whether the catalyst is a global pandemic, disruptive technologies like AI, or the complexities of social and political unrest, the pressure on organizations is relentless. For Human Resource practitioners, these periods of volatility are not merely realities to be managed, but serve as the ultimate tests of an organization's cultural integrity.

Cultural Clarity

While corporate culture is often dismissed as an aspirational set of ideals or public relations exercise, in times of crisis, its role as the ultimate anchoring tool framing people management decisions and actions is critical. For organizations where cultural conversation and actions are embedded, authentic (i.e. rhetoric matches reality) and consistent, culture serves as a grounding and 'go-to' that enables organizations to stay true to their purpose regardless of broader environmental shifts. Research highlights how culture and values served as critical guiding principles leveraged by Chief Human Resources Officers (CHROs) to navigate the global pandemic (Collings et al., 2021).

Culture can be understood in multiple ways from '*how people act when no one is looking*' to the '*glue*' that binds the organization. In terms of actionable insights for HR decision making, culture is likely best understood as patterns of behaviors or norms that are reinforced by people and systems (O'Reilly, 2025). Behavior is the critical word here; with appropriate consideration, articulation and reinforcement behaviors can underpin success and effective performance. On the flip side, the absence of culture clarity can lead to misalignment, misdirected behaviors and ultimately value destruction. As Tim Hourigan, Retired CHRO of Home Depot captures '*Associates watch actions more than they listen to your words, it's a case of I hear what you say, but I see what you do*'.

Crisis Mode: Culture as a Bedrock Framing HR Decisions

Too often the HR focus in organizations is consumed by 'the what' of HR policy or strategy (HR content) as opposed to the 'why' and 'how' things are done (HR principles and HR process). This creates challenges when HR policy evolves and shifts. By contrast, dedicating time to understanding, observing and directing behavior in the form of culture and values can serve to anchor discussion and frame choices. Having cultural clarity as a foundation becomes all the more important in times of crisis as it provides stability and familiarity reducing the risks of incoherent, inconsistent or isolated responses born of fear or uncertainty.

The critical role of culture and values in framing people management decisions is illustrated by how The Home Depot navigated the Covid-19 pandemic, including its unwavering commitment to associates and customers. In the context of unprecedented uncertainty, The Home Depot doubled down on its eight core values and inverted leadership model. Core values at The Home Depot include 'taking care of our people', 'respect for all people', 'doing the right thing', 'building strong relationships', 'giving back', 'excellent customer service', 'creating shareholder value' and 'entrepreneurial spirit'. Notably there was an honest acknowledgement of 'constructive friction' between competing values and the associated trade-offs that had to be made to maintain the company's mission e.g. between shareholder returns and stakeholder protection via taking 'care of our people' by 'doing the right thing'. By way of example, The Home Depot took proactive measures of limiting store hours and capacity without waiting for governmental regulations or guidance to be issued. This decision was made to prioritize associate safety and maintain essential services irrespective of immediate revenue implications and the risk of losing sales to competitors. All associates were also provided with an additional two weeks paid time off, with at-risk employees receiving 6 weeks. Such actions demonstrate the impact of values in practice, privileging doing the right thing and protecting associates. The embedded culture and values at The Home Depot are therefore '*not ornamental, but an actual decision-making framework*' helping to devise responses and decisions to meet demands from customers, associates, the community, and shareholders when no templates existed and knowledge of the situation was evolving and uncertain.

Culture as a Constant HR Consideration

It is important to note that culture cannot be simply called into action in times of crisis, it needs legitimacy and longevity as a constant consideration for HR. The effective navigating of crisis at The Home Depot echoes and reinforces long standing attempts to demonstrate the critical role of associates and provide an empowered environment. For example, front-line associates are empowered to resolve customer disagreements in the moment without supervisory approval. Rather than being directive on political issues or taking a corporate stance, The Home Depot approach emphasizes educating and supporting associates on how the voting process works, aligning with their Value Wheel principles of empowering individual decision making and the business's role as a supporter of its people.

A critical role for HR in managing culture is therefore ensuring that a strong foundation exists *before* a crisis occurs. At The Home Depot, this foundation is built upon two specific and symbiotic pillars, both the Value Wheel and an Inverted Pyramid leadership model. The latter positions frontline associates and customers at the top while senior leadership exists at the bottom of the pyramid in a supportive role. This logic draws from a simple premise of The Home Depot's founders Bernie Marcus and Arthur Blank; '*take care of the associates, they will take care of the customer, and the rest will take care of itself*'. Framed this way, a move to a senior role is a 'demotion' in terms of hierarchy, because it brings more pressure and a greater requirement to support others rather than having people do work for you. The inverted pyramid is lived in action, as the founders' imprint still holds true with senior management spending much of their time in-store as first-name associates, learning with and from peers and customers.

HR's Cultural Toolkit

So, what role can HR play in sense-checking and embedding organizational culture? Critical from Tim's experience is ensuring the culture is being '*lived on the frontlines'*. There are multiple ways HR can explore and assess this reality. First, and perhaps the most common approach, is capturing hard data in the form of pulse surveys and stakeholder input ensuring that values are understood and being reflected in daily interactions. Second, comes the active approach of management by walking around (MBWA) in the form of active observation and participation. In the context of The Home Depot's inverted pyramid, this means putting on the same apron as frontline associates visiting stores, and helping customers without their titles being advertised. This allows HR and leaders to hear 'two-way conversations' and identify disconnects between the 'Store Support Center' (corporate office) and the reality of the front line. Third, is enabling and creating the psychological safety for empowerment and discretion. This cannot simply be stated but must be demonstrated. It is weaved into HR practices in the selection process, behaviors socialized in orientation, and finalized in how associates are rewarded and recognized. HR's role is '*to ensure these levels of latitude are clear and that associates are celebrated for exercising the empowerment they were promised*'. Critical is developing leadership competency models in order to select, develop, and train leaders to reflect core values while also having a mechanism to measure whether leaders are living those values in real-time.

As organizations grow, and founders or critical senior managers move on, there is a risk that culture can become '*varied*' or '*diluted*'. To address this challenge, it is important that the culture is appropriately codified. At The Home Depot this ultimately led to the creation of a Chief Culture Officer (CCO) role tasked with capturing oral histories and anecdotes to document the 'original thinking' behind the business, coupled with real-life examples and stories of values in action. One such example captured is that of a 70-year-old hardware associate who refused to stay home during the early stages of the Covid pandemic, despite having six weeks of paid leave, because he wanted to help less tenured associates help customers.

Summary

Overall, HR can play a vital role in helping organizations steer through uncertainty using established culture as its 'North Star'. HR's role as cultural guardian means it must ensure that values are clearly articulated and consistently applied as reflected from company strategic decisions through to day-to-day interactions. Critical here is avoiding any disconnect between an 'aspirational mission' and an 'actual mission', a fault line which will only be further exposed in times of crisis. HR's responsibility is to be honest about what the company is, fostering values that are of value to stakeholders and developing leadership models that understand and reinforce these. On this basis, and as The Home Depot case illustrates, culture can serve as a foundation for decision-making and (re)framing the behavior required for uncertain times. As the oft heard saying reminds us '*if you don't stand for something, you'll fall for anything*'.

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CHAPTER 28

Make Succession a System, Not a Meeting: Research-Based Practices for Building Sustainable Leadership Continuity

By Marcia Avedon and Anthony J. Nyberg

Continuity of leadership is essential for enterprise success because strategy is executed through people, and transitions are the moments when value creation—or destruction—accelerates. Over eleven years of Center for Executive Succession (CES) research, we see a consistent pattern: organizations that treat succession as a daily discipline, not an annual meeting or an event, enjoy higher talent velocity, lower execution risk, and better performance. It is clear that those organizations that treat leadership quality and the stewardship of talent as firm-level capabilities create greater value that compounds over time. Companies that invest in these capabilities build optionality—ready leadership benches, diversified pipelines, and credible internal candidates—enabling them to act with speed when disruption hits, instead of reacting with improvisation and regret (Cragun, Nyberg, & Wright, 2016).

This chapter distills that evidence into eight elements. Each is both a mindset and a mechanism: a belief about how value is created through people paired with routines that make the belief operational and measurable. Together, they form a system for leadership continuity.

Figure 28.1 Talent Stewardship for Sustainable Leadership Succession

I. "Talent Stewardship" on Par with Financial Stewardship

Talent stewardship in practice: When talent stewardship is core to management, leaders are assessed on bench depth, successor advancement, exporting talent, and retention. Talent stewardship is both the mindset and the behaviors of leaders.

Specific practices may vary, but the underlying beliefs are similar in those with the strongest leadership pipelines. For example, several CES partner firms formalize a yearly "Leadership Contract" that includes moving at least one successor a readiness notch within the year. There is an expectation that leaders intentionally and personally develop other leaders, not just "update the charts." See [Current Practices in CEO Succession](#).

Elite organizations adopt a simple but demanding principle: leaders are stewards of talent to the same degree they are stewards of capital. In practice, this means two things.

First, a shared leadership model. The organization defines what "good leadership" means—clearly, concisely, and behaviorally. It can include enterprise orientation (optimize for the whole, not siloed), people leadership (attract, grow, deploy), and culture shaping (values, even under pressure). The model is taught, referenced, reflected in performance management and visible in senior-level routines such as succession slates, promotions, and onboarding. The result is a common language, mindset, and aligned expectations.

Second, explicit accountability. Talent outcomes carry weight equal to financial outcomes. Leaders are assessed on the depth and diversity of benches, the advancement of successors, the export of talent to other parts of the enterprise, and their team's engagement and retention. Bonuses and long-term incentives reflect these outcomes. Some organizations track the "talent P&L" of business leaders: inflows (hires and imports), outflows (exports and promotions), growth (readiness improvements), and value-at-risk (regrettable loss probability).

The criticality of talent stewardship are at all levels of management, up to and including the board of directors. The boards evaluates the strength of leadership capabilities, reviewing talent topics, and assessing bench strength for key roles and strategies (CES reports 2022). The board evaluates a CEO on ability to build and retain leadership and their ability to create a culture where talent stewardship thrives.

Examples of accountability in practice:

- A global manufacturer uses a "Leadership Contract" signed by all vice presidents that specifies people-development deliverables each year.
- A financial services firm requires every executive who receives an above-target bonus to show at least one successor advanced a readiness stage during the year.
- A technology company includes "export ratio" (how many leaders you send to other units) in performance reviews.

Talent stewardship as core to the management system is like a garden with many plants to nurture and grow. For the garden to flourish there needs to be frequent watering, sunshine, fertilizer and weeding. Explicit routines, not just one element, create years of vitality. This is the case with a talent stewardship system. Organizations that embody talent stewardship as a system of practices have greater succession depth over time and through cycles and challenges.

II. Talent Movement for Development—Even When Disruptive

Enterprise rotations: Rotation markets place high-potentials into stretch roles (turnarounds, integrations, new market entries), supported by backups or interim coverage. We must put our best talent in our most critical opportunities, even if it creates disruption, recognizing the benefit for both individual development and long-term firm performance.

Development accelerates when leaders experience different contexts (Nyberg, Collings, McMackin, & Wright, 2025). The most succession-ready companies move high-potential talent across businesses, geographies, product lines, and functions—even when it is inconvenient or disrupts a short-term business plan. The enterprise makes a promise: we will backfill you quickly, and we will measure you on how well you "grow and show" talent.

Examples in practice:

- *Enterprise rotation market***.** Twice per year, the CHRO's office curates roles with disproportionate stretch—turnarounds, new market entries, and post-merger integrations. High-potential leaders apply, and executive sponsors match capability to opportunity.

- *Short, sharp assignments***.** Six- to twelve-month deployments spike capabilities. For example, a supply-chain leader might run a digital transformation sprint, or a P&L leader might take a corporate strategy rotation. A group of high-potential leaders are chosen to lead a significant merger integration team for six months.

- *Disruption support***.** When a move creates backfill risk, a pre-built "bench of benches" and an interim plan kick in within 30 days. The organization funds overlap periods and temporary resources, so the move helps both the sending and receiving teams.

- *Willingness to change the organization structure.* There are times that the best development plan is to change the organization to create a new leadership role for a critical candidate to accelerate their development. For example, CEOs create a Chief Operating Officer or Segment EVP to develop and assess a potential CEO successor.

*Why it works***:** Rotational density builds range and judgment. Leaders who have navigated multiple contexts develop the pattern recognition and adaptability that executives require. What to watch for is whether rotations are true stretch assignments or merely lateral moves that check a box without building capability.

III. Talent Review Meetings for Calibration—with Candor

Calibration is where stewardship becomes real. The best companies run talent reviews as operating mechanisms, not ceremonies. They occur at multiple levels—unit, function, and enterprise—and are connected so that a leader's readiness rating means the same thing in Brazil as it does in Boston. The CEO and CHRO are truth-tellers and standard setters, ensuring the organization avoids over-rating and under-challenging.

Calibration with candor: Successful talent reviews include standardized definitions of performance and potential, multi-rater inputs, and evaluation of potential derailers. They are most effective if they start with "what changed since the last review?" It is critical that the

CHRO acts as truth-teller to avoid "kindness that kills." The CEO also asks penetrating questions to test the reality of the leadership assessments.

Calibration is where stewardship becomes real (Ployhart, Schepker, Wright, & Strizver, 2023). The best companies run talent reviews as operating mechanisms, not ceremonies. They occur at multiple levels—unit, function, and enterprise—and are connected so that a leader's readiness rating means the same thing in Brazil as it does in Boston.

Design features that drive calibration quality:

- Structured models to rate and compare leaders on performance and potential (e.g., the common 9-box) with evidence are necessary**.** Performance by Potential matrices are anchored in standardized definitions (e.g., "Potential is the capacity to significantly increase scale, scope and complexity; with high potential being capable to increase two levels or scope changes within 3–5 years"). Evidence includes multi-rater input, outcomes delivered, agility, lack of derailers, and values alignment. Aspirations and motivations of the individuals are also considered.

- *Board and CEO engagement serve to model expectations for candor and objectivity***.** Directors receive pre-reads on CEO and C-suite leadership pipelines, see names and development actions, and invest time. The CEO models candor, sharing what is being done, what is not working, and where options are explored (CES Reports, 2018).

- *Follow-through and follow-up on commitments are commonplace***.** Reviews produce action plans that specify experiences, education, and exposure, along with owners, timelines, and metrics. The next review begins with "what happened since we last met?"

- *Cultural prerequisites*: The system requires psychological safety and straight talk. The CEO and CHRO are truth-tellers and standard setters, ensuring the organization avoids over-rating and under-challenging, and embraces "care paired with clarity."

IV. Metrics and Reporting: If It Matters, Measure It

Operating metrics: Common metrics include percent of ready-now/ready-soon density by role; pipeline diversity, percentage of regrettable losses and retention risk for pivotal roles; export ratio; and quarter-over-quarter trends. Percent of internal promotions versus external hires for key roles is an important system metric over time, indicating if there is improvement in the development of promotable leaders.

Reporting cadence: The best companies have a predictable and intense cadence where metrics are reviewed. The CEO with the Executive Leadership Team review a dashboard, progress and gaps; semiannually the board does a deep-dive with other updates informally. Succession quality is measurable (Huang, Nyberg, & Schepker, 2025).

Core metrics to track:

- *Ready-now/ready-soon density*: Percentage of roles with at least one "ready now" successor and at least one "ready in 1–2 years." Break out by function, unit, and level.
- *Diversity of pipeline*: Distribution across gender, race/ethnicity, nationality, and background (e.g., line vs. staff). Track movement by stage and velocity to promotion.
- *Retention of critical talent*: Regrettable loss rate for identified successors and pivotal roles; time-to-regret thresholds.
- *Pipeline health trends*: Quarter-over-quarter changes in readiness, export ratios, and development plan completion rates.
- *Risk flags*: Roles with no bench; successors with high risk of departure in 12 months; multiple succession plans dependent on one individual.

V. Regular Succession Planning Cadence Includes Emergency Readiness

Emergency readiness: For the CEO and other C-suite positions it is critical to maintain named emergency successors (those who will step in for 90–180 days). For the CEO emergency back-up, there are often draft statements, 8-K/press release templates, and a cross-functional transition team with clear roles and responsibilities as part of a crisis management plan (including the CHRO, General Council, Head of Communications, CFO, Investor Relations leader and, Corporate Secretary). Annual tabletop drills can be used to shorten reaction time (CES: Emergency Succession Planning).

Succession plans are living documents. For a focus on CEO Succession see the CEO Succession Planning Playbook, 2021. Critical C-suite and next-to-C roles are reviewed semiannually; pivotal technical roles are reviewed on a tailored schedule depending on the organization's strategy. Some organizations ensure at least annual succession plans are done to include major country managers, plant managers, functional or regional leaders.

Each plan includes:

- *Current successors*: Current internal successors for key roles with readiness timing in multiple time frames (e.g., ready now, near term, and long term) are identified. Definitions of the timeframes for readiness are consistent.
- *Development plans*: Twelve- to eighteen-month experiences and moves, with clear success criteria tied to individual development needs for progression, are explicit.
- *Emergency successors*: Named individuals who can step in for 90–180 days, with pre-written communication plans, acting titles, and temporary governance adjustments.

Boards expect this level of preparedness, particularly for the CEO and C-suite roles. The most credible management teams conduct tabletop simulations annually—scenarios such as "CEO incapacitated on a Sunday night—what happens by Monday noon?"

VI. Succession Planning that Is Future-Oriented and Strategy-Linked

Future-linked profiles and actions: The most sophisticated organizations build succession plans from business strategy. They map development to engineered experiences linked to future business needs. Great succession planning looks at "where the puck is going." Profiles are built from strategy and value creation logic, not legacy resumes or job descriptions (CES & HRPA 2025 Research Report).

- *Start with strategic needs***.** Ask critical questions about the organization's direction. Are we entering new regions? Are we growing organically via innovation? Are we M&A-driven?

- *Translate to future profiles***.** Define the few differentiated capabilities for each role in 3–5 years. Examples include "CFO as storyteller and capital allocator for platform pivots," "CHRO as systems architect for skills-based organizations," and "COO as orchestrator of AI-enabled operations." Incorporate context-specific competencies such as regulatory regimes, ecosystem partnerships, and data ethics. Validate profiles with the board and external benchmarks.

- *Build forward experiences***.** Map experiences to target capabilities: transformations, crises, multi-unit P&L, digital product launches, post-merger integrations, and stakeholder activism. Then engineer those experiences into development plans and talent moves. The question guiding every action: "Will this build the future-critical capabilities we have said we need?"

VII. Internal Promotions as the Norm; External Hires as Strategic Supplements

Internal first, external deliberate: When the system is operating well, most promotions—especially into C-suite roles—come from inside. Internal successors bring firm-specific knowledge, cultural credibility, and speed to impact. CES data show that boards prefer internal CEOs when credible options exist. The markets also typically reward prepared internal successions with lower volatility.

External hires should remain on the menu (CES & HRPA 2025 Research Report). The point of a strong internal pipeline is not to block external talent; it is to choose it deliberately. External hires are best used to inject new capabilities, accelerate strategic pivots, or refresh a stagnant "gene pool." The CHRO should maintain "evergreen" external slates for the top roles. This avoids the "cold start" scramble when an unplanned opening appears and keeps the organization honest about how the internal candidates compare to the total available candidate pool.

Practical signals that you are balanced:

- At least 70% of executive promotions are internal over a rolling three-year period.
- For top roles where change is anticipated in the coming years, at least one high-caliber external candidate has been surfaced and lightly assessed in the last 12 months.
- Time-to-effectiveness (measured through leading indicators) is materially faster for internal promotions, and onboarding for external hires is designed to close that gap.

VIII. The Succession Plan Is a Decision Tool—Not a Paper Exercise

Decisions informed by the succession plan: Succession plans drive real resource allocation when integrated into appointments, compensation, organizational design, and crisis response (Essman, Schepker, Nyberg, & Ray, 2021). The ultimate test: does the succession plan drive real decisions? A key metric is ***succession plan validity*** – what percent of the time did open roles get filled by a candidate on the last succession plan? It may not be 100% because unexpected events occur such as a regrettable departure or illness; however, it should be a high percentage of the time.

Where the plan should show up:

- *Appointments and compensation*. Offer terms, sign-on awards, and retention actions are informed by bench risk and successor value-at-risk.
- *Organizational design*. When restructuring, leaders consider how moves will strengthen or weaken the bench two levels down.
- *Capital allocation*. Investments that open new businesses or capabilities include a talent readiness case: who will lead it, how we will staff it, and what the ramp looks like.
- *Crisis response*. Emergency successions use pre-agreed playbooks, not ad-hoc debates.
- *Board narratives*. Director communications on leadership draw from the same dashboard and profiles used internally.

Operating mechanisms that keep it real:

- *Quarterly moves review*. The CEO and CHRO review the top talent moves, tracking against development theses and succession needs.

Red team/blue team. Once a year, a small group challenges the succession picture: "If we had to appoint a totally different person to this role, who and why?" This reduces myopia and confirms that the chosen path is robust.

- *Post-promotion audits*. Six months after a key appointment, review what worked and what did not, then feed the insight back into criteria and development actions.

Closing Thought

Continuity of leadership is not about predicting the future; it is about compounding preparedness. When talent stewardship stands shoulder-to-shoulder with financial stewardship, when movement and calibration are routine, when metrics are simple and visible, and when plans are tied to where the business is going—not where it has been— the result is an adaptive enterprise with capable leaders for the future.

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CHAPTER 29

The Changing Nature of Leadership in an Artificial Intelligence World

By Patrick M. Wright, Anthony J. Nyberg, Donald J. Schepker, and Adam L. Steinbach

Artificial Intelligence (AI) is being adopted at a pace as fast as—if not faster than—any prior technological innovation. While its foundations have existed for decades, recent advances have rapidly expanded AI's applications, fundamentally reshaping business processes and the nature of work.

As work changes, so does leadership. The 2025 HR@Moore Survey of Chief Human Resource Officers, conducted in partnership with the HR Policy Association, examined how AI is transforming leadership roles and the competencies required to perform them. The survey was distributed to nearly 400 CHROs, yielding 176 responses, and focused on three core questions: how AI is changing what leaders do, how it is altering the competencies leaders need, and how organizations are developing those capabilities.

AI's Impact on Leadership Roles

CHROs anticipate that AI will significantly reshape leadership over the next two to five years. Most notably, respondents emphasized AI's potential to reduce leaders' administrative burden, allowing greater focus on strategic and value-creating activities. Closely related, many noted that AI will enhance leaders' decision-making by providing faster, data-driven insights.

At the same time, AI places new demands on leaders. CHROs expect leaders to strengthen AI and technology literacy, manage AI-augmented and hybrid workforces, and lead change in ways that sustain trust. Leaders will also be responsible for reskilling their teams to operate effectively in an AI-enabled environment. Although some respondents cautioned that AI's full implications remain uncertain, the overall pattern suggests a clear shift in leadership toward strategy, judgment, and coaching, as AI assumes more administrative and transactional work. Successfully navigating this shift will require strong change management capabilities, particularly as leaders address automation's impact on skills, career paths, and workforce structure.

Table 1. Changing Role of Leaders

1. **Increased Strategic Focus & Reduced Administrative Burden**
   - AI will **automate routine tasks** such as email synthesis, data analysis, and administrative work, **freeing leaders** to focus on **strategy, decision-making, and people leadership.**
2. **Need for AI & Tech Literacy**
   - Leaders will be **required to understand AI and its applications**, including **data-driven decision-making**, workflow automation, and **ethical considerations**.
3. **Managing AI-Augmented & Hybrid Workforces**
   - Leaders must learn to **manage both human employees and AI-driven processes/agents**, requiring **new leadership skills** in digital-first workplaces.
4. **Enhancing Decision-Making with AI**
   - AI will provide **real-time insights** and support better, faster **data-driven decisions**.
5. **Change Management & Workforce Adaptation**
   - Leaders will need to **guide their teams through AI adoption** while maintaining employee trust and engagement.
6. **Developing Future Skills & Talent Strategy**
   - AI will **disrupt traditional talent development**, requiring leaders to **rethink skill-building and career growth.**
7. **Uncertainty About AI's Full Impact**
   - Some leaders believe it's **too early to predict** AI's full impact.

Emerging Leader Competencies in an AI World

Table 2 summarizes CHROs' views on how AI will reshape leadership competencies, echoing many of the role changes discussed above. Respondents most frequently highlighted the growing importance of strategic thinking and adaptability as leaders guide AI-driven transformation. While AI fluency and data literacy will be essential, CHROs emphasized that emotional intelligence and coaching skills will ultimately differentiate human leadership from AI—enabling leaders to manage change, reimagine talent development, and cultivate cultures of curiosity and continuous learning.

Table 2. Changing Competencies of Leaders

1. **Strategic Thinking & Decision-Making**
   - Leaders will need **systems thinking, decision-making agility, and strategic foresight** to navigate AI-driven changes in business models and workforce structures.
2. **Change Management & Adaptability**
   - Leaders must **manage AI-driven transformations** and help their organizations **adapt to rapid change**.
3. **Technology & AI Literacy**

   - AI fluency, **data literacy, prompt engineering**, and understanding AI's limitations will be essential skills.
4. **Emotional Intelligence**
   - As AI automates technical tasks, **EQ, empathy, and people-centric leadership** will become more valuable.
5. **Critical Thinking & Problem Solving**
   - Leaders must develop **critical thinking skills** to assess AI-driven insights, ensure **data integrity,** and **challenge assumptions**.
6. **Coaching, Mentoring & Talent Development**
   - With AI automating knowledge work, leaders must **focus on coaching employees and developing human skills.**
7. **Curiosity & Growth Mindset**
   - Leaders must **stay open to new technologies** and **continuously upskill** to stay relevant.

Building Competencies for the AI World

Given the rapid pace of AI adoption, we asked CHROs how they are building AI-era leadership capabilities. As shown in Table 3, the most common approach is creating new leadership development programs, though many organizations appear to be in early or experimental stages—relying on workshops, pilot programs, and governance task forces. Notably, ten CHROs reported taking no meaningful action to date. Whether these early efforts evolve into sustained, in-house capability building or remain largely external and episodic remains an open question. What is clear, however, is that these initial experiments—along with emerging competency models and governance structures—are likely to accelerate significant changes in how organizations define and develop leadership in the years ahead.

Table 3. Business Skills Among Leaders

1. **Leadership Training & Development Programs**
   - Many organizations are investing in **leadership training programs** to help leaders develop **AI fluency, change management skills, and digital literacy.**
2. **AI-Specific Workshops & Summits**
   - Some companies are hosting **dedicated AI sessions, summits, or immersive experiences** for leaders.
3. **AI Pilot Programs & Experimentation**
   - A subset of companies is testing **AI leadership in controlled environments** to see how leaders handle AI integration.
4. **Governance Committees & AI Task Forces**
   - Some companies have **AI governance groups to oversee leadership development** and ensure responsible AI adoption.
5. **Redefining Leadership Models & Competency Frameworks**

- Some organizations are **revisiting their leadership competency models** to align with AI-driven changes.

6. **Industry Collaboration & External Learning**
   - A few companies are **partnering with external organizations** to provide AI learning experiences.
7. **No Major Actions Yet**
   - Some organizations **are still in early awareness stages** or haven't implemented AI-related leadership training.

Implications

These findings suggest that AI will fundamentally reshape leadership roles, requiring new competencies to lead effectively. Unlike prior technologies, which largely helped leaders perform existing tasks more efficiently, AI will change *what leaders do.* As administrative work is increasingly automated—for leaders and their teams—leaders will face a strategic choice: how to redeploy their time to create value.

Our results suggest that AI can free leaders to focus less on managing tasks and more on leading people. Specifically, leaders will be better positioned to help teams adapt to new ways of working, develop individual capabilities, and provide coaching and guidance. In short, AI accelerates a shift away from managerial oversight toward strategic leadership. At the same time, leaders must develop fluency in working with AI itself. Effective leadership in this environment will not be *either* technology-focused or people-focused; it will require the simultaneous mastery of both.

New Leadership Competencies

Because AI changes the nature of leadership work, it also transforms the competencies required for effectiveness. Leaders need not understand the technical mechanics of AI, but they must deeply understand its strategic potential and limitations—where it creates value, where it introduces risk, and how it reshapes work. Equally important, leaders must become more people-centered. Driving AI-enabled transformation requires learning agility, adaptability, and the ability to articulate a compelling vision that helps employees understand how their work contributes to organizational success. Coaching, feedback, and mentoring will become even more central leadership skills as roles evolve and uncertainty increases. In essence, leaders face a dual mandate: to strengthen both their technological and interpersonal capabilities.

The Central Role of People Skills

Many of the most promising AI use cases rely on employees—often with little formal technical background—identifying inefficiencies and applying AI to streamline their own work. Employees are closest to process bottlenecks and administrative burdens, making them well positioned to spot opportunities for improvement. AI enables them to propose solutions, collaborate with more technically skilled colleagues, or even build simple applications themselves.

Realizing this potential, however, depends on leadership. Leaders must be willing to delegate authority, encourage experimentation, and support employee-driven innovation. While a baseline level of technical competence is necessary to guide and evaluate these efforts, trust, communication, and collaboration are far more critical. The most productive AI adoption occurs in environments where employees feel safe to experiment and engage in shaping how work evolves.

Investing in Leader Development

Two things are certain about AI: it is advancing rapidly, and its ultimate impact remains uncertain. This ambiguity makes leader development both more difficult—and more urgent. The CHROs we interviewed described a wide range of development efforts, from digital literacy to change management, suggesting little consensus on which capabilities matter most or how best to build them. The prevalence of one-off workshops and summits indicates that many organizations are still in the exploratory stage.

Most concerning, however, were the CHROs who reported that their organizations have not yet begun preparing leaders for an AI-driven future. Given the speed and scale of AI adoption, delay is costly. Notably, the competencies on which leaders were rated weakest—continuous learning, people development, innovation and change management, strategic thinking, and digital fluency—are precisely those required to lead effectively in an AI-enabled organization. Organizations that postpone these investments risk falling behind—and may find it difficult to catch up to those that move decisively to prepare their leaders for the future of work.

CHAPTER 30

Culture as Competitive Advantage: How Leaders Cultivate (and Systems Reinforce) What Competitors Can't Copy

By Christian Meisner, Mike Benson, and Shad Morris

"Great moments are born from great opportunities." — Herb Brooks, Head Coach, 1980 US Olympic Men's Ice Hockey Team

On April 2, 2024, GE Aerospace became an independent, standalone, publicly traded company. The time leading up to and since that day was a unique opportunity for the company to act with intention about who we were and, more importantly, who we wanted to become.

Leadership theory suggests that executives should focus on high-level issues like strategy, markets, and products to ensure a company's competitive advantage. While these are key ingredients to any company's success, many companies inadvertently bypass an essential differentiator – the power produced by aligning the company's culture with the long-term strategy of the organization. Such focus on culture by top leadership teams, especially during times of transformation and change, acts as a source of sustainable competitive advantage.

For instance, at GE Aerospace, culture isn't treated as a symbolic gesture that is addressed through vision statements and values on the website. Rather, culture is one of four critical outcomes, along with Operational, Financial, and Breakthrough performance, that is tracked closely and action planned by leadership at all levels (see Figure 30.1). Most importantly, culture is built, reinforced, and improved "at gemba", or where the work occurs, on a day-to-day basis through FLIGHT DECK (the company's proprietary lean operating system)—one that translates strategy into results through daily behaviors and fundamentals.

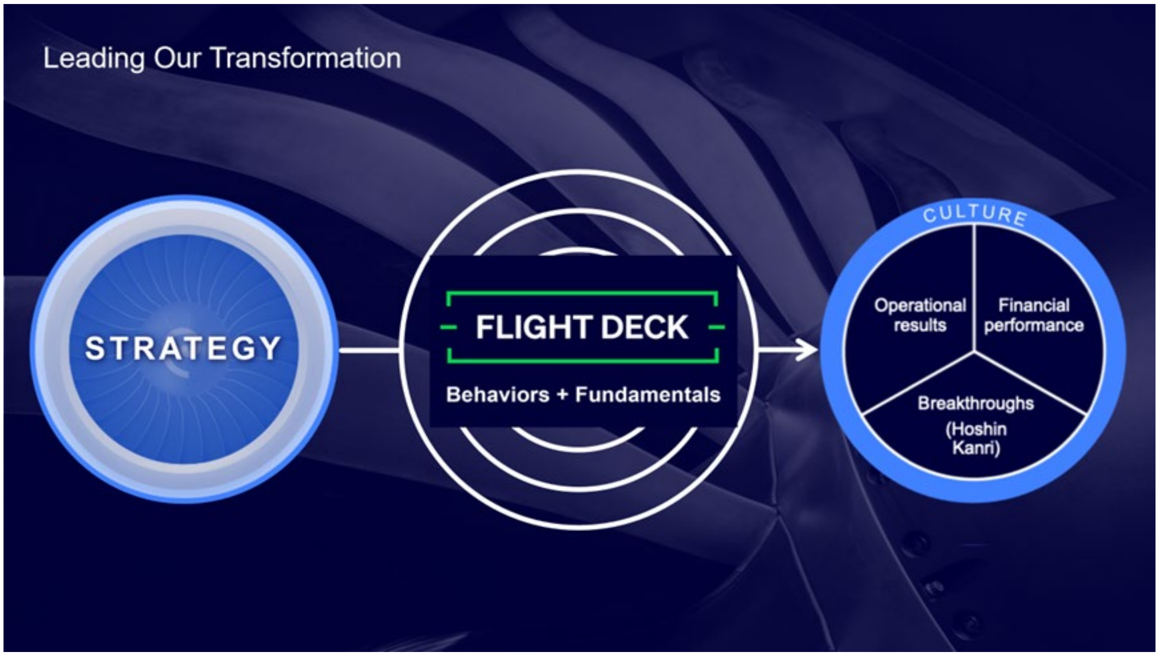

Figure 30.1 "Leading Our Transformation"

Culture and Competitive Advantage

Most competitive advantages erode. Products get reverse engineered. IP protections end and technologies are commoditized. Strategies get stolen. Even talent moves. Culture is one of the few true differentiators that is sustainable and nearly impossible to copy.

As a result, culture is much more difficult to cultivate than one might expect. GE Aerospace largely aligns to the definition of culture and culture renovation from Schein (Schein, 1985; Schein & Schein, 2017) and Oakes (Oakes, 2021), especially the aspects of culture as shared, learned, dynamic, evolving, and impactful. At GE Aerospace, culture consists of that which is cultivated and valued daily. It is experienced when priorities collide, and difficult decisions need to be made. It shows up and is shaped by how problems are solved, how leaders coach, and how teams respond under pressure. It is nurtured and carefully crafted, not declared from the top.

To help employees problem solve and drive a "kaizen" or continuous improvement mentality, FLIGHT DECK serves as a systematic framework for running the business and prioritizing Safety, Quality, Delivery, and Cost (SQDC), in that order, to provide exceptional customer value. The core FLIGHT DECK elements define how we lead and how we work. How we lead is defined by the GE Aerospace Behaviors: Respect for People, Continuous Improvement, and Customer Driven (see Figure 30.2).

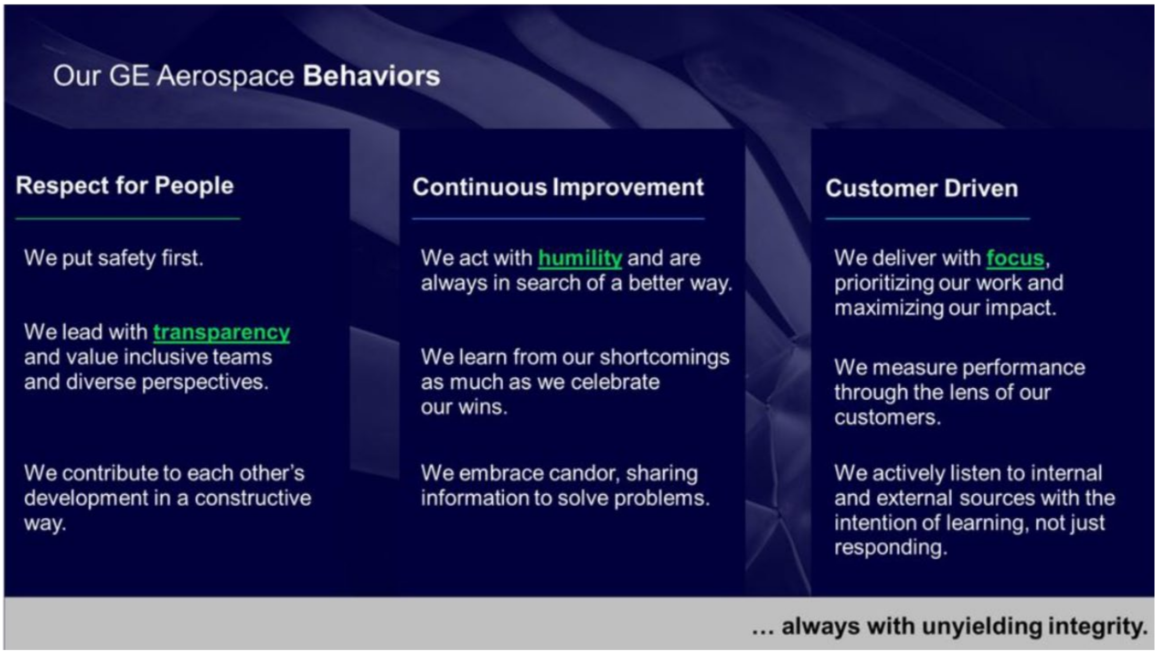

Figure 30.2 "Our GE Aerospace Behaviors"

How we work is defined by eight core lean fundamentals—including 5S, daily & visual management, value stream management, and problem solving. Beyond just a set of tools, FLIGHT DECK is the engine designed to shift the organization from "doing lean" to "being lean." It fundamentally reshapes expectations by fostering respect for people and encouraging leaders to regularly visit the actual place where work happens ("gemba") to listen, learn, and solve problems alongside frontline workers. As a result, engagement data repeatedly shows that when leaders consistently apply FLIGHT DECK, employees report higher engagement, stronger intent to stay, and better performance outcomes (including better, faster experimentation and collaboration).

Building and declaring the operating system was the easy part. Leaders within the HR and business teams must get "reps" to ensure everyone from the shop floor to the c-suite are engaged in the day-to-day display and cultivation of the right behaviors and elimination of poor behaviors. As stated by CEO Larry Culp, "The real fun [for leaders] is getting in with the team and getting [your] hands dirty… you can't allow yourself to get distracted from staying rooted in the real daily work of the organization" (Cook & Nohria, 2025).

Leveraging prior research about culture and strategy (e.g., Morris, Gardner & Smith, 2023; Snell, Swart, Morris & Boon, 2023), we describe how our GE Aerospace leadership team drives desired behaviors and evolves the culture. To help showcase what works, and what doesn't, we offer four principles that define what to do (and what not to do) to cultivate an enduring culture.

Define Culture as an Outcome—Not Slogans or Edicts

Many organizations consider the work done when they can hang banners and posters or distribute glossy brochures with a flashy look and catchy words and phrases. At GE Aerospace, we approach it differently – in fact, the initial declaration was of an aspirational culture, that did not name specific cultural elements. Instead, it focused on the FLIGHT DECK system (behaviors and fundamentals) as the core daily system to craft the aspirational culture. Rather than treating it as separate from strategy, we embed culture directly in the operating model. Strategy flows through FLIGHT DECK to produce operational, financial, breakthrough, *and cultural results*. Culture is not layered on top of the business—it is one of the critical outcomes.

For HR leaders, the implication is clear: culture should never float above strategy or be assumed to be "true" just because it is on the wall. If employees cannot clearly see how cultural expectations help deliver SQDC outcomes, culture will be dismissed as corporate theater. As a leader, take time to audit your cultural language. If it is not anchored directly in behaviors and fundamentals, it is noise—not culture. For example, we aspire to be Passionate Innovators. Simply stating that employees should be bold, experiment, learn and pivot is insufficient to drive change. Clear behavioral expectations for leaders and employees to demonstrate *continuous improvement behaviors* (see Figure 2) through structured problem solving and daily & visual management is a must to provide concrete, observable results, and, in turn, coaching and feedback opportunities.

Turn Leaders (at all levels) into Decision Enablers

Research consistently shows that middle managers—not senior executives—are the primary translators of culture. Employees don't experience the CEO's values statement; they experience their leader's behavior daily.

Our data makes this visible. Teams whose leaders score high on FLIGHT DECK coaching report significantly higher engagement, stronger belief in leadership, greater intent to stay, and stronger culture. The gap between leaders who model the system and those who don't is not subtle—it is structural. To structural point, GE Aerospace saw that FLIGHT DECK scores in their engagement survey data decreased deeper in the organization and the gap between leaders and their teams got wider the farther the team was from the executive level.

This insight was simple but uncomfortable: culture stalls where leaders treat it as optional. To address this, we invest heavily in leader capability, emphasizing coaching and feedback leading to team accountability and empowerment. In the end, leaders are expected not just to deliver results but to develop people and reinforce the everyday interactions that enable them to make decisions. As a result, if culture varies widely across teams, look first at manager capability and alignment —not employee attitudes. Culture follows leadership behavior.

Define Culture Through Behaviors—Demonstrate What Good Looks Like

Most culture efforts fail because values are abstract. As much as possible, we try to avoid this trap by defining culture through observable behaviors: Respect for People, Continuous Improvement, and Customer Driven—always with unyielding integrity (see figure 2).

These behaviors are reinforced through standard work, operating cadences, problem-solving routines, and performance discussions and ratings. Employees are not asked whether they *believe* in the culture; they are coached on how to *practice* it.

Engagement results show a strong relationship between consistent behavioral reinforcement and positive cultural sentiment across professional and production employees alike. When leaders coach these behaviors effectively, teams are more innovative, more accountable, and more collaborative. As a leader, if employees struggle to describe what your culture looks like in action, it is not yet real. Define behaviors so clearly that they can be coached, measured, and corrected.

Build Culture Through Iteration, Continuous Improvement, and Measurement

Culture is not launched. It is learned. At GE Aerospace, we've found that culture building follows an iterative path—testing, measuring, adjusting, and scaling. Engagement surveys, qualitative feedback, and leader forums provide continuous data on where the system is working and where it was breaking down. One recurring insight early on in this process was the presence of a large "neutral" population: employees who were not resistant but not yet committed.

Rather than ignoring this group, or over-investing in those with negative sentiment, leaders recognized it as a high leverage opportunity. Through engagement surveys and other analytics, the HR team identified a key insight – improving leader coaching capability (and doing so at scale) was the single, highest-leverage point. Not only would it help leaders understand expectation and commit (these neutral populations), but it would also help all leaders improve and elevate. An internal, fit-for-purpose coaching model and learning experience was developed and deployed. By improving coaching quality, increasing transparency, and clarifying expectations, leaders were able to move neutral employees toward engagement and ownership.

This mirrors an iterative design approach: start with a minimum viable system, learn from real-world application, and refine continuously. Culture, like strategy, must evolve without losing coherence. As a result, treat culture as an aspiration and outcome that requires maintenance.

What gets measured, discussed, and refined will improve. What gets announced and forgotten will decay.

The Leader's Responsibility

At GE Aerospace, we often repeat a simple truth: *You get the culture you deserve*. Not the one you announce. Not the one you delegate. The one you model, coach, and reinforce.

For HR leaders, this reframes the role entirely. Culture work is not about crafting better messaging. It is about building leader capability, aligning systems, and holding the organization accountable for how work happens. It is about getting out with your employees and leaders to understand how they are experiencing and living the culture you're trying to build.

Culture becomes a competitive advantage when it is core to expectations and part of the daily routine that helps people make better decisions faster—especially when the stakes are high, and the tradeoffs are real—that is a true expression of *Respect for People*. Time and future performance will ultimately decide if GE Aerospace turned this great opportunity into a great, and enduring, moment. For us, we continue to see it as a work in progress that requires time and attention to deliver value and impact; and, we like the forward progress and results thus far.

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CHAPTER 31

Leadership in the Age of AI

By Cameron McDonald and Jenna Pieper

Artificial intelligence (AI) is no longer an emerging concept or a specialized tool reserved for technical teams. It has moved directly into the center of everyday work. Serving as a thought partner, AI helps draft communication, summarize complex documents, surface insights from large amounts of data, and flag risks or opportunities that might otherwise go unnoticed. As these tools become embedded in daily workflows, employees increasingly look to leaders for clarity about expectations, accountability, and judgment in a world where humans and AI work side by side.

We explore how AI is reshaping work and what it means for leaders. While AI changes tools, processes, and decision making, the essence of leadership remains steady: leaders make the work make sense. They provide meaning, context, fairness, and confidence. They care for and motivate their team(s), capabilities no algorithm can replicate. *What is changing is not the purpose of leadership, but the conditions under which leadership is exercised.* For future HR leaders, this shift also reframes their role—from supporting leadership development to helping design systems, norms, and capabilities through which leadership is enacted. Understanding how to lead in this new landscape is fundamental for guiding teams or shaping organizational culture.

How AI Is Changing the Workplace—and Why Leadership Matters

Across organizations, AI is transforming how work is produced, coordinated, adapted to existing or newly developed skills, and evaluated. These shifts are not theoretical; they are visible in everyday tasks and team interactions.

One of the most significant and visible changes is *the emergence of human–AI teams*. AI is now a consistent contributor to work, drafting content, sorting information, and recommending next steps. However, these systems require human judgment. Without clear leadership, teams may over-rely on AI, accept outputs uncritically, or avoid using tools out of fear or uncertainty. Leaders must set expectations about when AI should be used, when to question its outputs, and where human oversight is essential.

Information flow has also accelerated. AI tools can produce dashboards, summaries, and insights in seconds. Yet, more information does not mean better understanding. Leaders help teams interpret results, add context, and avoid taking AI-generated insights at face value. Without this guidance, employees may feel overwhelmed or misapply insights.

AI is also reshaping how skills are developed and applied. Tools update frequently, and the skills required to use them evolve as quickly. Teams cannot rely solely on formal training programs; learning increasingly happens in the flow of work through experimentation, feedback, and peer exchange. Leaders play a key role in normalizing this ongoing learning and signaling that experimentation is expected, not risky. Here, HR systems around learning, performance, and career development quietly shape whether that experimentation is reinforced or penalized.

Finally, *AI brings ethical considerations into everyday decisions*. Questions about bias, fairness, privacy, and transparency are no longer abstract. They arise in real time as AI influences how work is assigned, evaluated, and rewarded. Leaders must model responsible AI use and create environments where employees feel safe raising questions or concerns.

In these shifts, leadership becomes more, not less, important. AI can analyze data and suggest actions, but *only leaders can build trust, bring people together, and create meaning.* AI supports work, but leaders determine whether that work feels legitimate, safe, and worth doing.

Leadership is Changing: Different Levels & Different Responsibilities

While AI affects every leader, the impact differs depending on organizational role.

Senior Leaders: Setting Direction and Guardrails

Senior leaders shape the overall approach to AI. Their role extends beyond endorsing technology to defining how AI fits the organization's operating model. They must create a clear and compelling AI vision. Employees need to understand why the organization is adopting AI, what problems it aims to solve, and where its use is intentionally limited. Without this clarity, AI can quickly be perceived as a surveillance tool, a cost-cutting mechanism, or a threat to jobs.

Their investment decisions matter as well. AI adoption requires more than tools; it requires data quality, training, change support, and ongoing governance. Senior leaders signal seriousness by allocating resources and integrating AI oversight into existing risk, compliance, and ethical frameworks, often in partnership with HR and other enabling functions.

Equally important is the role senior leaders play in setting ethical guardrails. They help define which decisions AI is allowed to support, which require human judgment, and how transparency and review will function. These decisions shape not only risk exposure, but also whether employees feel confident using AI or hesitant because they fear unintended consequences.

Finally, *senior leaders must model curiosity and openness.* When senior leaders actively learn about AI tools, ask questions, and experiment themselves, employees are far more likely to engage thoughtfully rather than defensively.

From the Field: Creating Space for Experimentation

- A company can't just greenlight AI. It must carve out real organizational space for it, putting clarity and communication at the center of the journey. Through steady messaging and a weekly "AI Spark" moment (quick, five-minute demos from employees), one CIO made experimentation feel accessible and energizing. He built a focused team to chase use cases that truly move the needle, accelerating ideas instead of bottlenecking them. The result: a wave of excitement, fast wins, and aha moments that turned AI from buzzwords to business muscle.
- **Why it mattered**: Employees understood why AI was encouraged, where it fit, and how experimentation would be supported rather than punished.

Front-Line and Mid-Level Leaders: Bringing AI into Daily Work

Midlevel and frontline leaders operate closest to where AI work happens. *Their role is to translate strategic AI intent into everyday practices*. They help teams adopt new tools, answer questions, and troubleshoot issues. They observe how AI affects workflow, morale, quality, and fairness. By seeing problems early, they are the organization's first signal when AI is helping or quietly harming work.

These leaders also create feedback loops. AI improves when employees share what feels helpful, confusing, or where outputs appear biased or inaccurate. These leaders collect and channel this information upward, ensuring the organization can refine its systems and processes. HR processes around listening, reporting, and escalation can either amplify or mute these signals.

Just as importantly, *they foster an environment where employees feel comfortable learning, experimenting, and making mistakes*. AI adoption requires curiosity, and curiosity requires psychological safety. Leaders create that safety through openness, empathy, and transparency.

From the Field: Small Wins That Changed Daily Work

1. Seeing his team bogged down by manual processes, including, a multi-thousand-line spreadsheet that required three people to manage, a security compliance leader empowered the team to use AI to rethink the workflow, he delivered a small but meaningful automation win within a month. The improvement instantly lifted morale. He reflected, "Now my team won't dread getting into this spreadsheet in the morning." Energized by the momentum, he's now pushing for additional AI use cases to speed up the entire compliance workflow. Small wins feed more energy for big results.

2. **Why it mattered**: Psychological safety plus visible progress turned experimentation into momentum.

How to Enable the Shift Quickly

Organizations must adopt leadership practices quickly to build the capabilities, routines, and supports needed to guide work in new ways.

The competencies that matter most now include basic AI literacy, comfort with ambiguity, strong communication skills, and ethical judgment. These help leaders navigate uncertainty and guide teams through unfamiliar territory. Conversely, micromanagement, manual reporting, and reliance on outdated dashboards hold less value in a world where AI handles routine tasks.

Building capability quickly requires learning that feels practical and aligned with real work. Brief, job-focused lessons help leaders and employees build skills in the flow of work, rather than pulling them away from it. Peer-learning sessions and "show and tell" examples make learning social and visible, while cross-functional working groups allow teams to explore real scenarios together.

Daily leadership routines also support adoption. Leaders who regularly ask how AI tools are being used, host weekly team share-outs, run small pilot projects, or celebrate creative experimentation help normalize AI adoption and reduce fear. These simple practices build confidence and momentum.

From the Field: Building Readiness Before Scaling Tools

- One company's leadership knew that accelerating AI adoption required readiness, confidence, and shared understanding across the workforce. A cross-functional team worked to build a persona-based AI Readiness Strategy, starting with a clear vision for what AI is, how the company plans to use it, and why it matters. A data-driven readiness assessment helped identify strengths and gaps in AI knowledge, usage, and sentiment, shaping targeted actions for each audience. From 1:1 onboarding for the senior leadership team, to an AI Leadership Toolkit and AI Fundamentals training for leaders, and practical learning for all employees, the strategy was designed to make AI real, drive adoption, and spark inspiration and confidence in its value at every level.

- **Why it mattered**: Shared language and targeted capability building accelerated adoption without overwhelming teams.

Leadership Behaviors That Can Undermine AI Adoption

Even with strong tools and clear strategy, leadership behavior can quietly derail AI adoption and erode trust and psychological safety.

One common risk is avoidance. Leaders who delay decisions, fail to learn the tools, or treat AI as optional signal uncertainty. Teams quickly mirror that hesitation, slowing adoption.

A second risk is opacity. When AI is introduced into sensitive areas (e.g., performance discussions, work allocation, or monitoring) without clear explanation, mistrust grows. Employees often assume AI is being used to surveil or judge them, which suppresses experimentation and honest feedback.

Finally, over-deference to AI can be damaging. Leaders who rely too heavily on algorithmic outputs reduce space for judgment and context, discouraging teams from questioning recommendations or raising concerns. AI should inform, not replace leadership accountability.

Conclusion

AI is becoming a core part of modern work. As organizations evolve into environments where humans and AI collaborate, leadership determines whether these systems enhance or hinder performance, fairness, and engagement.

Senior leaders shape success by setting direction, investing in capability, and establishing ethical guardrails. Mid-level and front-line leaders translate choices into practice. Across levels, HR acts as connective tissue, helping embed expectations into talent systems, leadership development, and norms. Together, these roles determine whether AI strengthens or weakens trust.

When leaders embrace AI with curiosity, transparency, and fairness, AI becomes a powerful amplifier of human capability. Teams gain clarity, confidence, and space to focus on higher value work. Ultimately, the future of leadership in the age of AI is not about replacing people with technology; it is about empowering people through technology.

CHAPTER 32

Preparing Leaders for Hybrid and Remote Work

By Bradford S. Bell

Virtual leadership is not a new phenomenon. For years, there have been leaders who have needed to interface with their followers primarily or entirely virtually. Think of the manager of a salesforce that spends most of its time in the field, the head of a unit of client support specialists who all work from home, or the leader of a global virtual team brought together to tackle a thorny business challenge. What is new is the scale of virtual leadership today following the mass migration to hybrid and remote work during and after the COVID-19 pandemic. Despite growing calls for a return to the office, current estimates suggest that about 40% of full-time employees are in a hybrid or fully remote work arrangement, and employees, on average, spend about 27% of their time working from home (this figure was only 7% immediately prior to the pandemic). The result is that more leaders than ever before find themselves, at least some of the time, physically separated from the individuals and teams they are charged with leading.

Although hybrid and remote work have become staples of the post-pandemic economy, there is evidence that many organizations have not taken the steps necessary to adequately prepare their leaders and managers for this new way of working. A recent Gallup study, for example, found that 73% of hybrid managers and senior leaders are unprepared to lead hybrid teams. As the authors conclude, "hybrid work requires teams and managers to work differently, and many organizations have not done a good job of training them to work in a hybrid environment. And that lack of training and practice presents a real risk for organizations today." Indeed, although decades of research suggests that remote work often conveys a number of advantages, including increased employee autonomy and job satisfaction, it can also come with drawbacks, including heightened feelings of isolation, exclusion from development opportunities, greater difficulty collaborating and innovating, and an erosion of shared culture. As organizations seek to mitigate these risks, there are several important questions about leadership in the virtual context they will need to address.

Do We Need a New Model of Leadership?

Leadership has been one of the most heavily studied topics in the organizational sciences, and this work is characterized by an array of different theoretical perspectives, including leader-member exchange (LMX), servant leadership, transformational leadership, contingency leadership, and many more, which have shaped the leadership models adopted by organizations. Although it may be tempting to conclude that the radically different environment in which leaders find themselves today requires novel leadership theories and models, recent evidence suggests that the functions that leaders need to perform to satisfy the needs of their followers in virtual and more traditional settings may not be as different as we may think. Instead, what changes is the importance of different leadership functions and how they are performed in these settings.

Kristie McAlpine, Sharon Hill, and I recently conducted a comprehensive review of the virtual leadership literature in which we identified five leadership functions that extant research suggests are especially important in virtual settings. Four of these functions – defining the mission, establishing expectations and goals, supporting the social climate, and encouraging self-management – have long been acknowledged as important in traditional leadership research. Yet, empirical evidence suggests these functions may be particularly critical for overcoming the unique challenges that stem from working across distance. Specifically, research suggests that these functions have stronger effects in virtual as compared to in-person environments or in contexts characterized by greater (compared to lower) degrees of virtuality. We also identified a "new" function – facilitating the use of technology – that is particularly germane to virtual contexts. However, as all employees, regardless of their work arrangement, increasingly rely on technology to communicate and get their work done, it can be argued that this too is an important function for all leaders to fulfill. Given that leadership is one of the core responsibilities of HR, a better understanding of these key functions can help ensure we are giving our leaders the tools necessary to be successful in remote and hybrid work contexts. A brief description of these virtual leadership functions is provided below:

- **Defining the mission and establishing goals and expectations**: Virtual leaders need to develop a clear and motivating mission that is shared among followers and set clear individual and team goals and expectations for accomplishing the mission. These two functions go hand-in-hand as they both relate to "setting the course," which is particularly important in virtual contexts because distance and electronic communication can give rise to divergent perspectives and priorities among followers that hinder the development of a shared understanding of the mission and how best to accomplish it.

- **Supporting the social climate**: Virtual leaders need to maintain a supportive social environment by being more intentional about fostering positive interpersonal interactions with and between followers, attending to followers' concerns, and promoting their well-being (see the next section for an example of how they can do this from a distance). This function is especially important given that remote work can increase the risk of professional and social isolation (by reducing opportunities for interpersonal interactions), work-life conflict (by blurring work-life boundaries), and overwork (by encouraging employees to always be "on").

- **Encouraging self-management**: Virtual leaders need to encourage followers to participate in the leadership process and help to manage their own and the team's performance. It is critical for virtual leaders to empower their followers and foster their autonomy because reduced face-to-face interaction in virtual settings makes it more challenging for leaders to engage in behaviors such as monitoring performance, coordinating work, and solving problems.

- **Facilitating the use of technology**: Virtual leaders need to help followers effectively leverage technology by establishing the technology infrastructure (choosing the right tools and ensuring equal access), setting norms to promote appropriate and consistent use of technology, and making modifications to adapt to the evolving needs of their followers. Although important in traditional work contexts, it is especially important when interactions occur primarily through technology.

How Can We Prepare Leaders to Lead Virtually?

Armed with a better understanding of what successful virtual leadership entails, we can begin to take steps to ensure our leaders are prepared to navigate the challenges inherent in these new ways of working.

- **Provide training in the critical virtual leadership functions:** The Gallup study referenced earlier found that having an effective manager is four times more important to team members' engagement and well-being than where they work. To ensure managers can be effective across different work contexts, it will be important to provide them with training on how to lead from a distance. This training should emphasize, although not be limited to, the key functions highlighted above as critical building blocks to virtual leadership.

- **Focus on both the "what" and the "how":** Training should help virtual leaders not only understand what functions they need to fulfill to meet the needs of their followers and teams but also how best to perform them. During the pandemic, for example, many leaders tried to support the climate of their teams by replicating social events, like happy hours or team dinners, in the virtual environment. These events often felt forced and their impact was fleeting at best. Evidence suggests that creating brief but regular opportunities for social interaction, such as setting aside the first 10 minutes of virtual meetings for open discussion, may have a more meaningful impact on building a strong social climate and shared understanding in a team.

- **Prepare employees for hybrid and remote work:** For followers to become more self-managing and autonomous in virtual environments, it is critical that they too are prepared for these new ways of working. Yet, the Gallup study found that 80% of hybrid workers have not received any formal training on how to best work in a hybrid environment. Training on topics such as seeking feedback, leveraging technology, and managing work-life boundaries can help employees to share in the management of their own and their team's performance.

As HR continues to lead the way in building the organizations of the future, an important prong of these efforts will involve preparing our leaders and managers to lead virtually. In doing so, we will be better positioned to reap the benefits and mitigate the risks associated with these new ways of working.

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CHAPTER 33

Transforming the Workplace: Prioritizing Employee Well-Being in a Rapidly Changing World

By Pam Kimmet and Karina van de Voorde

Over the past decade, many companies have made significant efforts to create employee-centric cultures. However, global levels of burnout and stress have steadily increased, reaching unprecedented and unsustainable levels. According to Gallup, 40 percent of employees surveyed across more than 160 countries report experiencing significant daily stress (Gallup, 2025). Similarly, McKinsey reports that 22 percent of employees are experiencing burnout symptoms at work across the 30 countries included in their study (McKinsey Health Institute, 2023). They identified workplace demands—such as heavier workloads, a faster pace of work, perceived unfair treatment, and unclear job roles—as the main reasons for burnout. Ironically, while technology has enabled greater employee productivity, it is often seen as the primary catalyst for this alarming decline in workers' health and well-being. Data from Microsoft Teams highlights this concern, revealing a significant rise in what they term the "infinite workday," which includes after-hours meetings and work encroaching on employees' personal time (Microsoft, 2025). In response, a growing number of countries worldwide have enacted or are considering legislation to protect employees' work-life balance by granting them the right to disconnect from work duties outside official hours.

We posit that the real culprit for this decline in well-being is senior leadership, who need to change their mindset and expectations regarding work and the importance of investing in well-being. This decline in well-being not only conflicts with our companies' purpose and mission statements but also incurs substantial costs, including reduced worker life satisfaction, poorer health, diminished productivity, and increased healthcare and social welfare expenses. While the business case and return on investment (ROI) for investing in employee well-being are not easy to track, we believe that's no reason to avoid doing so. Addressing this issue is as urgent and important as the priority companies are putting on harnessing generative AI to transform their organizations. Failing to simultaneously challenge existing working models as work dynamics change will hinder a company's ability to attract the caliber of talent needed to achieve its strategic goals. A growing body of research supports the idea that investing in employees and their well-being enhances workplace performance and strengthens organizational resilience. For instance, De Neve et al. (2023) demonstrate that higher levels of employee well-being generally predict higher firm profitability and improved stock market performance. Moreover, a McKinsey Health Institute study for the World Economic Forum (2025) suggests that companies embracing well-being could realize significant economic gains, estimated at $3.7 to $11.7 trillion in global economic value, by reducing attrition, absenteeism, and presenteeism while improving overall productivity and talent attraction and retention.

We recognize that shifting the organizational focus from a purely economic view of employees to one that puts employees first, prioritizes their health and well-being, presents a strategic challenge for HR leaders. However, it is crucial for all leaders—especially those in HR—to rethink work expectations and workplace arrangements to explicitly acknowledge their role in fostering positive well-being among employees. We can draw valuable lessons from our recent experiences during the pandemic to inspire ourselves to be bolder and to think differently.

Unlike events such as 9/11 or the global financial crisis, which primarily affected specific nations, industries, or corporate roles, COVID-19 served as a "level setter" for all companies worldwide. This global health crisis was deeply personal and impacted everyone, from CEOs to front-line workers. To navigate through this crisis, leaders were compelled to adapt quickly and provide direction without any depth of knowledge or "playbooks" to rely on. Traditional top-down directives and decision-making were no longer effective; instead, leaders found success by adopting a more human-centric approach that focused on connection, transparency, and vulnerability with their teams (Nyberg et al., 2021). Companies demonstrated genuine concern for their employees' and families' well-being through a range of actions that showed trust in their team members and empowered them to do their work in ways that supported their teammates and their families' needs. This time saw meaningful improvements in engagement and trust scores, unlocking significant discretionary effort as employees felt they were "in it together" with their companies.

As the pandemic began to ease, companies generally reverted to prior ways of working, with return-to-office mandates and workday expectations, and scaled back on listening and connection routines, eroding trust and waning followership for leaders. As a result, when many companies found themselves growing rapidly and needing talent quickly, the post-pandemic break in trust led to a well-documented "workforce-led moment," marked by high levels of voluntary turnover as many employees sought new roles with companies that offered greater autonomy and a better overall value proposition. The stress on organizations during this time and the disruption to their cultures were the start of a decline in engagement levels and offered a window into the "cost" of not investing in well-being. This spike in attrition prompted only some companies to relent for a time and offer more adaptive work routines.

In today's environment, companies find themselves under enormous pressure to deliver results due to increased economic instability, geopolitical challenges to navigate, and the need to determine how to harness generative AI to create both near-term productivity enhancements and to transform their firm's operating model in the longer-term. Without thoughtful HR leadership, the AI-led transformations to work and the workplace run a high risk of destroying employee-centric cultures and undercutting the full strategic value that could be achieved. Rather than succumbing to near-term financial performance pressure, HR leaders need to challenge business leaders' approach to thinking about work and influence them to embrace bold innovation. We propose a three-part call to action:

Embrace Employee Listening and Experimentation

As highlighted, operating during the pandemic required leaders to make decisions based on more limited information, be open to quickly pivoting when new data arose, and be ready to quickly adapt and respond to colleagues' input in framing actions. This engendered increased loyalty and higher levels of engagement, as well as discretionary effort by workers. However, as global competition has intensified, there's been a reversion by senior leaders away from remote working, tapering back hybrid schedules in lieu of the ways of working in place prior to the pandemic. Many employees questioned the return-to-office mandates, and in particular, why the flexibility to work remotely or in ways that enabled them to optimize their personal needs while still meeting company expectations was being eliminated (Cascio, 2025). So, we have to ask ourselves why this was okay during a crisis but not a fit-for-purpose approach today, particularly as we enter what is likely to be a volatile time of change?

While it is time-consuming and not a foolproof way to design work, best practice frameworks for driving change that have been in use for many years all center on soliciting employee input (Knight, 2025). Why are employees not in the best position to help us design work routines and policies that balance a company's need to deliver results with their personal needs, as employees, in having a balance and stronger well-being in how they do that? And in our own experience, we have seen the demonstrable advantage of goodwill, tangible outcomes such as engagement, customer satisfaction, lower turnover, and an enhanced ability to hire great talent, created when we create a positive employee experience by listening to what matters to our employees and then acting on it. Gallup, among others who study engagement, has decades of research supporting that positive employee experiences are substantially related to business performance across organizations (Harter et al., 2024).

Question Conventions and Monolithic Rules

Despite industry titans like Henry Ford implementing a 5-day work week in his plants in 1926, the five-day workweek didn't become standard in many industrialized nations until around 1940. Although some countries have adjusted the number of hours covered in the workweek, it has generally remained unchanged for most workers over the past eight-plus decades, despite more than a 400% cumulative increase in a US worker's per-hour output over the period. Setting aside wage and hour laws in various jurisdictions, for companies with this typical five-day, Monday to Friday workweek, why are we not considering new workweeks as well as work week patterns, and why does each day need to be the same length in hours and worked at the same time each day of a particular employee's workweek?

Data from companies that have trialed a four-day workweek in various countries around the world show significant improvements in employee well-being, including lower stress and burnout and better mental/physical health. Better still, this has produced consistent or increased productivity, revenue, and high retention rates (4 Day Week Global Foundation, 2022). The trick to thinking differently about workweeks and workdays is to also challenge why most organizations continue to tilt toward monolithic rules and guidelines that apply to all employees on these matters. Understandably, some companies feel that applying work rules to all creates a more united culture; companies with large retail or production operations are examples. This could still be challenged – would those working in stores need to work a five-day workweek or adopt a different schedule that reflects the intensity of the work and offers attractive flexibility for their associates, while having a different workweek expectation for those in the "back office"? Embracing a different type of flexibility would potentially not undermine culture. These nuanced discussions require HR leaders to challenge their own thinking and gather comprehensive data and insights to influence their senior leadership peers to embrace change. Here, setting up and running four-day workweek pilots offer opportunities to evaluate the impact and additionally to experiment with how to sustainably redesign work and build trust-based leadership needed to successfully transition (Laker & Ogbonnaya, 2025). It's also important in global countries to be reflective of different cultural and legal expectations toward these paradigms.

Redefine the Employee Value Proposition

Aside from looking differently at work weeks and workdays, we also need to challenge our thinking about careers and the employee value propositions that support them within our organizations. McKinsey notes that the 3.5 billion working adults in the world today will be working about 90,000 hours, or the equivalent of around 45 years over their careers (World Economic Forum, 2025). Moreover, as experts estimate that life expectancy may extend to 100 years, retirement ages may extend into the 70s. Over this span, workers could have possibly 10-16 jobs or more. Increased longevity is causing societies, business leaders, and employees to rethink how we live and work, including the length of careers and the concept of retirement (Gratton & Scott, 2016). Further, workers today, especially younger generations, express a strong desire to be purpose-driven and seek more flexible career breaks. They prioritize the role work plays in their lives differently from our traditional models. As workers increasingly seek less-traditional pathways to define their careers, a critical question arises: how can we adapt our compensation, benefits, development, and other related career policies to remain competitive and attractive to the talent we seek? Additionally, how can we achieve this in the context of longer careers?

To foster sustainable careers that emphasize happiness, health, and productivity, it's crucial to understand that careers involve a series of events and personal choices. These include transitioning between roles and organizations, as well as moving between paid and unpaid statuses, such as entering retirement. These choices should align personal ambitions with employer objectives and cannot be viewed in isolation from the wider context of an individual's life (De Vos et al., 2020). This understanding necessitates that we frame purpose not only for customers but also for the individuals who dedicate their time, talent, and energy daily. Redefining the employee value proposition means that, while maintaining clarity on expectations and accountability, HR policies and practices should promote career flexibility and meet employees' personal needs rather than restrict them. HR leaders must recognize that if the "mosaic" of an employee's life—including family and personal time—is satisfied, the employee will be happier, healthier, and more effective at work throughout their working life.

In conclusion, the lessons in listening, responding, empowering, and trusting employees with flexibility in where and how they work, which were demonstrated to be highly effective during the pandemic, were not an anomaly. Rather, it was a powerful experiment that should serve as a blueprint and call to action for HR leaders to prioritize employee well-being by redesigning work and workplace paradigms that enable employees to better balance all aspects of their lives, rather than the approach we've all followed for far too long. The return – in terms of building sustainably strong people-centric cultures that consistently deliver value for the company's employees, customers, and shareholders – will be worth it economically and emotionally for you and your senior leaders.

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PART V

Culture

Culture as the Constant that Enables Change

SECTION INTRODUCTION

Culture as the Constant that Enables Change

By Rebecca R. Kehoe

If developing talent is about building the capabilities of individuals, and leadership is about providing clarity and setting direction, culture reflects how the organization brings talent and direction together. Culture is where organizations translate purpose and values into norms, behaviors, and decisions that show up in the workplace every day. As disruption becomes more the standard than the exception, the intentional development of culture has become increasingly critical in enabling organizations to continuously adapt and sustain performance amidst constant change.

The chapters in this section examine culture through three perspectives that define its role in the success of today's organizations. First, an effective culture acts as an engine of agility, enabling organizations to anticipate and respond effectively to disruption. Second, culture is (still) about driving human-centered performance, and the human element of organizations must be centered in organizations' approaches to coping with uncertainty and change. Third, strong cultures do not happen by chance – they are deliberately constructed and embedded in systems, policies, and processes that reinforce key values and behaviors every day. Together, these chapters offer insights into why and how, in the present environment, effective cultures will be critical in building sustainable organizations.

The first two chapters in the section emphasize the growing importance of culture as a driver of organizational learning and agility. Allamano and Conroy discuss how a "learning-first" culture – grounded in psychological safety and a commitment to continuous learning – is essential in enabling organizations to leverage AI effectively. This mindset equips employees to experiment – and to take risks and make mistakes – to determine when and how AI is best utilized and where human judgment matters most.

Carrig and Najjar highlight that resilience and adaptability are outcomes of cultural design. This chapter draws parallels with long-living "Blue Zone" populations, showing how high-performing organizations achieve longevity through investments in six integrated factors—including a clear strategy and purpose, operational excellence, and a commitment to learning – that set them apart from competitors and equip them to weather disruption.

The next two chapters emphasize that high-performing cultures must prioritize the human element of organizations. They suggest that organizations need to attend to the needs of a range of stakeholders – not just shareholders – and recognize that sustainable performance depends on the well-being, engagement, and growth of employees.

Snow emphasizes mental health as a core cultural priority, offering strategies for destigmatization and leadership vulnerability that reinforce a supportive work environment. She discusses the importance of normalizing conversations about mental health, making deliberate investments in mental health support and education, and expanding offerings to increase accessibility and awareness throughout the organization.

Magner and Collings explore the critical role of culture in delivering a consistent and meaningful employee experience—one that prioritizes employee development and offers tailored support to localized employee needs. In so doing, they emphasize that leaders must achieve a balance in evolving their culture to meet the demands of a rapidly changing landscape while ensuring that it remains anchored in the organization's purpose.

The final three chapters in the section call on HR leaders to invest deliberately and comprehensively in culture. They emphasize that strong cultures do not emerge by accident. Rather, they are thoughtfully developed and carefully embedded in the policies, practices, and day-to-day operations of an organization.

Ross emphasizes the value of cultures that are clearly defined and embedded in the employee experience. She points to practical levers for nurturing culture, including rigorous hiring that balances technical skills and emotional intelligence, onboarding programs that introduce employees to the organization's values, and regular opportunities for continuous learning, engagement, and connection.

In a similar vein, Richmond and Campion discuss how culture can be hardwired into an organization's systems and processes, suggesting that culture should be defined as a "fusion of behavioral norms and business processes." To achieve this, the authors recommend explicit communication of expectations, leading by example, and reinforcing desired behaviors through feedback and rewards.

Continuing the theme of culture by design, Plath and Boon examine holistic leadership as a core differentiator of great organizations. They argue that through deliberate and reinforcing investments (e.g., hiring, coaching, process improvements), organizations can develop holistic leadership as both a mindset and a capability that prioritizes employee development and creates value for all stakeholders.

In combination, the chapters in this section call for HR leaders' renewed attention to culture as a strategic capability that drives organizational success in volatile times. Culture enables the learning and agility that is essential to performance and longevity, it supports the well-being of employees – the core of the organization, and when thoughtfully constructed and aligned, it becomes a sustainable system that embodies the organization's purpose.

CHAPTER 35

AI Requires a Learning-First Organization

By Cara Brennan Allamano and Samantha Conroy

Artificial intelligence is no longer an abstract future state for organizations. It is already reshaping how work is performed, how decisions are made, and how value is created. Yet much of the conversation about AI in organizations remains overly technical or narrowly focused on tools, efficiency, or cost reduction. That framing is incomplete. AI is not simply a technology to be deployed; it is a force that interacts with how organizations learn and coordinate.

Drawing on Raj Reddy's (1988) long-standing view of AI's potential as a tool for augmenting human intelligence, AI's power as a cognitive amplifier is important because it may be a double-edged sword. This reality must be dealt with in organizations. AI can extend human capability, improve judgment, and support learning; it can also magnify confusion, misalignment, and weak decision-making. The difference does not lie in the technology itself. It lies in the organizational conditions surrounding it. *This means the Human Resource leaders have a responsibility to level up our organizations to become learning-first organizations.*

The central argument is straightforward: an AI-first organization must also be a learning-first organization. And HR leaders are the shepherds of both organizational learning and culture. Without the ability to learn continuously, reflect honestly, and adapt behavior, organizations will struggle to extract meaningful value from AI. With those capabilities, AI becomes a powerful accelerant of human potential rather than a destabilizing force. This is where the competitive advantage available through AI becomes possible. Not all organizations will have the necessary culture for true AI enhancement.

AI Changes Knowledge Work, Not the Need for Learning

Organizations have always adopted tools to make work easier or more scalable. What distinguishes AI from prior waves of technology is its impact on knowledge work. AI does not merely automate tasks; it reshapes how problems are framed, how information is processed, how decisions are reached, and what is possible.

Software has become the core operating system of many enterprises, fundamentally altering how work is coordinated and controlled (Iansiti & Lakhani, 2020). In this environment, critical parts of human judgment risk being pushed to the periphery unless leaders intentionally redesign how humans and technology interact. AI can support better decisions, but it does not define what good decisions look like. That responsibility remains human.

This shift places learning at the center of organizational effectiveness. AI systems evolve rapidly. Static training programs cannot keep pace. Instead, organizations need learning embedded directly into work. This can happen effectively and iteratively through experimentation, feedback, and reflection. Learning is no longer something employees do periodically; it must be continuous.

The Learning Organization Revisited

The idea of the learning organization is not new. Notably and relevant to the current moment, Peter Senge's The Fifth Discipline (1990) introduced a framework centered on five disciplines: personal mastery, mental models, shared vision, team learning, and systems thinking. What has changed is the urgency of these ideas. Organizations that cannot learn quickly will struggle to adapt how AI is used, to identify where it adds value, and to assess when it creates unintended consequences. AI will expose rigid mental models, fragmented systems, and weak feedback loops with remarkable efficiency.

Learning, in this context, is not synonymous with formal training. It is about how organizations generate insight from experience and convert that insight into changed behavior. One practical manifestation of this is the learning loop (Argyris, 1977, 1991). Humans pose questions or ideas; AI generates outputs or alternatives; humans evaluate and refine those outputs; and the organization captures what was learned. Over time, with this loop, both human judgment and system performance improve (Mosqueira-Rey, Hernandez-Pereira, Alonso-Rios, Bobes-Bascaran, & Fernandez-Leal, 2022). Learning is embedded in execution, rather than layered on top of it.

Culture Is What AI Amplifies

A common misconception is that AI will "fix" organizational problems by making work more data-driven or objective. In reality, AI can amplify existing patterns, whether functional or dysfunctional. A culture of curiosity, collaboration, and openness becomes more effective. A culture of fear, silos, or ambiguity becomes more brittle.

Daimler's (2025) analysis of AI-related organizational change highlights how easily leaders may abandon these fundamentals. In moments of uncertainty, such as restructurings, layoffs, or technology shifts, employees look for coherence between stated values and actual decisions. When leaders invoke "culture" without grounding decisions in shared principles, trust erodes rather than strengthens.

Culture is not as simple as what organizations say they value; it is how decisions are made when trade-offs are real and pressure is high. Work on organizational culture makes this clear: values matter when they shape behavior under stress (Sull, Turconi, & Sull, 2020). AI adoption is a cultural stress test. It reveals whether organizations have clarity about what they stand for and whether leaders are willing to communicate openly when answers are incomplete. Organizations with a learning-first culture will lead the market under the stress of AI adoption.

Psychological Safety as an Enabler of Learning

Learning requires risk. People must be willing to admit uncertainty, challenge assumptions, and acknowledge failure. Research on psychological safety demonstrates that teams learn more effectively when individuals believe they can take interpersonal risks without fear of punishment (Edmondson, 1999). This dynamic is especially relevant in this moment as we pioneer AI-enabled environments.

Working with AI involves experimentation. Outputs are imperfect. Use cases evolve. When employees fear blame for missteps, they disengage from learning precisely when engagement matters most. Psychological safety is not about lowering standards; it is about creating conditions where learning is possible.

Edmondson and Lei (2014) emphasize that psychologically safe environments enable faster detection of errors and more rapid improvement. In the context of AI, this means organizations with cultures of psychological safety can learn not only how to use tools, but when not to use them and why.

AI as Cognitive Amplifier for Value Creation

AI, as a cognitive amplifier in a learning organization, enhances analysis, pattern recognition, and speed. It can also support memory, consistency, and learning over time. All of these valuable roles require human judgment and organizational learning.

AI does not set direction. It reflects priorities. If goals are unclear, incentives misaligned, or values ambiguous, AI will reinforce those conditions. Only when organizations are intentional about learning and about asking better questions and revising assumptions can AI strengthen decision quality rather than distorting it.

What HR Leaders Must Do Now

- Lead with a learning-first mindset. Culture precedes capability. AI amplifies organizational cognition and behavior.

- Embed learning into work. Replace one-off training with visible learning loops and reflection.

- Redesign work intentionally. Clarify where human judgment matters most and how AI supports it.

- Balance governance and flexibility. Innovation requires boundaries, but learning requires room to experiment.

Conclusion

AI does not eliminate the need for leadership, learning, or human judgment. It intensifies it. Organizations that thrive will not be those that adopt AI fastest, but those that learn most effectively.

This is not a departure from what HR has always done at its best. It is a return to first principles, applied in a new technological context. The question facing leaders is not whether AI will change work, but whether their organizations can learn fast enough to shape that change rather than be shaped by it.

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CHAPTER 36

Why and How Blue Zone Companies Perform Better and Last Longer

By Ken Carrig and Andy Najjar

Ken's daughter, a registered dietician, often reminds him of a fascinating truth: around the world, there are specific regions where people routinely live past 100, thriving with remarkable vitality. These "Blue Zones" have become the focus of scientific research into longevity, health, and human flourishing. Researchers consistently point to a combination of environmental and behavioral factors—nutritious diets, regular physical activity, strong social bonds, and a deep sense of purpose. These insights have inspired millions to rethink their lifestyles and adopt habits that promote long-term wellbeing.

This raises a compelling question: *If individuals can live longer and thrive by adopting Blue Zone principles, can companies do the same?* Can organizations create their own "Blue Zone conditions" that enable them to perform better, last longer, and remain resilient across decades of disruption?

The answer, supported by decades of organizational research, is yes. From Peter Drucker's *The Practice of Management* (1954) to Peters and Waterman's *In Search of Excellence* (1982) and countless studies since, the evidence is clear: high performing, long-lasting companies share a set of environmental and cultural characteristics that mirror the Blue Zone lifestyle factors. These organizational "Blue Zones" are not accidental—they are intentionally built, reinforced, and protected.

This chapter explores **why** Blue Zone companies outperform and outlast their peers, how they build these conditions, **and how digitalization and AI now act as accelerators** that remove inertia and enable organizations to scale these practices faster than ever before.

The Six Blue Zone Factors of High-Performing Companies

Through research, practice, and observation, six integrated factors consistently emerge as the foundation of Blue Zone companies:

- **Clear Strategy and Purpose**
- **Operational Excellence**
- **Customer Focus**

- **Organization and Employee Learning**
- **Culture of Accountability & Agility**
- **Innovation with Purpose**

Each factor is powerful on its own, but together they form a reinforcing system—a corporate version of the Blue Zone lifestyle flywheel.

A) Clear Strategy and Purpose

Blue Zone companies begin with clarity. They articulate a purpose that transcends profit and resonates with employees, customers, and communities. Purpose becomes the strategic filter for decisions, investments, and behaviors.

A powerful example comes from SunTrust (now Truist) after the 2010 financial crisis. The leadership recognized that rebuilding trust required more than new products—it required a renewed sense of purpose. Working with employees across the organization, they defined a purpose that served as a unifying thread and a decision-making compass. If a product or service didn't align with that purpose, it was challenged and redesigned.

Equally important, SunTrust dismantled its longstanding regional silos and reorganized around integrated client needs. This structural shift aligned the company's operating model with its purpose, enabling employees to deliver the "whole bank" to customers.

Purpose, when authentic and operationalized, becomes a strategic advantage. It aligns decisions, inspires employees, and builds trust with customers.

B) Operational Excellence

Operational excellence is not about perfection—it's about consistency, alignment, and the ability to execute strategy reliably. Research conducted with Darden Business School revealed three core Blue Zone factors shared by long-term high performers:

Total organizational alignment: Every employee understands the purpose, strategic goals, and their role in achieving them.

Supportive infrastructure: Organizational structures, processes, and information systems are intentionally designed to support the strategy.

Right talent in the right roles: Teams collaborate effectively, and talent is deployed where it creates the most value.

These companies eliminate friction. They remove ambiguity. They create systems that allow people to do their best work.

C) Customer Focus

High performing companies obsess over customers—not in a superficial "customer service" sense, but in a deep, systemic way. They aim not for satisfaction but for advocacy.

Marriott is a classic example. Its operating model is built on a simple belief: if you take care of employees, they will take care of customers. This philosophy shapes everything from training to leadership development to daily operations. Marriott also invests heavily in customer insights and loyalty programs that create personalized, continuous engagement.

Customer focus becomes a cultural norm, not a department.

D) Organization and Employee Learning

Blue Zone companies invest disproportionately in learning. They treat learning not as a perk but as a strategic capability.

Some create internal "universities" that teach everything from technical skills to leadership to market dynamics. Others, like Microsoft, integrate talent reviews with business reviews, ensuring learning is directly tied to future business needs.

One Blue Zone company developed a "Higher Ground Learning Series" with four dimensions that reinforce continuous learning across all levels. This structure ensures that learning is not episodic but embedded in the rhythm of the organization.

In today's environment—where AI, automation, and digitalization reshape industries at unprecedented speed—learning is no longer optional. It is the engine of adaptability.

E) Culture of Accountability & Agility

Blue Zone companies create environments where employees take ownership of actions, decisions, and outcomes. Accountability is not punitive—it is empowering. Expectations are clear, feedback is timely, and teams move quickly.

Agility complements accountability. These companies adapt rapidly to changing conditions because their culture encourages experimentation, transparency, and continuous improvement.

Google's "Project Aristotle" famously identified psychological safety as the most important factor in high performing teams. When employees feel safe to speak up, challenge assumptions, and take risks, agility becomes natural.

F) Innovation with Purpose

Innovation is not a one-time event—it is a habit. Blue Zone companies embed innovation into their DNA.

The declining lifespan of companies on the Dow Jones Industrial Average—from over 50 years in the 1950s to under 15 years today—illustrates the consequences of failing to innovate. Yet companies like Procter & Gamble, DowDuPont, United Technologies, and 3M have endured because they continually reinvent themselves.

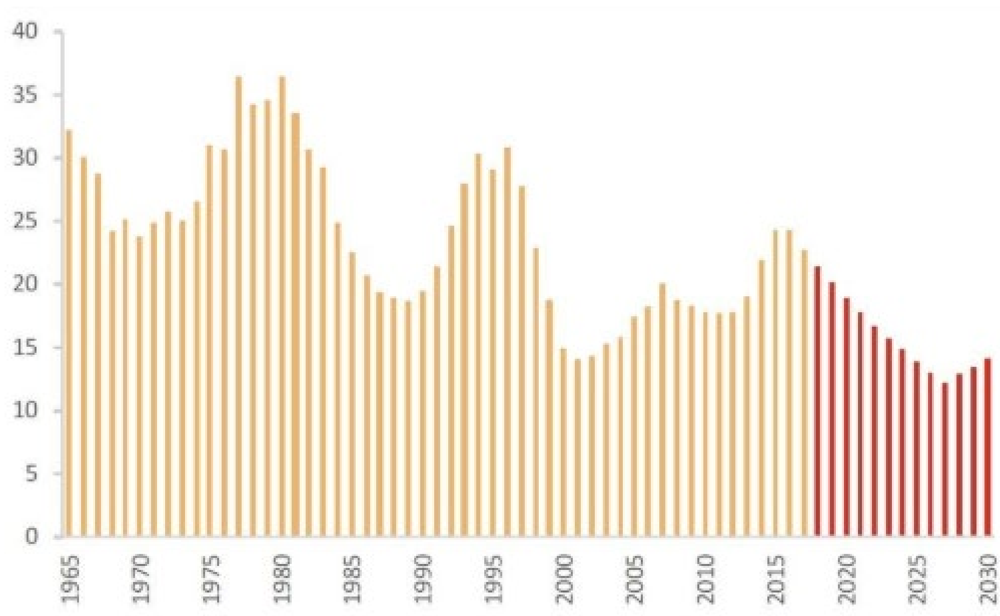

Figure 36.1 Average Company Lifespan on S&P 500 Index

3M's "15% Culture," which allows employees to spend part of their time on self-directed projects, has produced iconic innovations like Post-It Notes. Purposeful innovation creates resilience.

Figure 36.1 Innovation Led Value Creation Flywheel

Putting Blue Zone Principles into Practice

People are not resistant to change—**their habits are**. The same is true for organizations.

Companies often impose constraints on themselves through outdated structures, legacy processes, rigid planning cycles, and the comfort of past success. These constraints mirror the personal habits that prevent individuals from adopting Blue Zone lifestyles.

John F. Kennedy captured the antidote: "*The best time to fix the roof is when the sun is shining*."

Blue Zone companies act before they are forced to. They balance clear direction with flexibility. They build strong cultures while continuously upgrading capabilities.

The Blue Zone Imperatives

To operationalize these characteristics, companies must:

- **Stay anchored in purpose**
- **Develop situational awareness**
- **Build a change ready culture**
- **Reallocate resources quickly when needed**

These imperatives transform strategy into action.

The Accelerator: Digitalization and AI

The Blue Zone characteristics are necessary—but no longer sufficient. The pace of change has accelerated beyond what traditional organizations can manage manually.

AI and digitalization now serve as the **critical accelerators** that remove inertia and enable organizations to scale learning, agility, and innovation.

Early AI tools—simple chatbots and basic automation—were limited. They often created compliance risks, inconsistent answers, and employee frustration.

A new category has emerged: **Agentic AI Workflow Platforms**.

These platforms combine:

- LLM reasoning
- Deterministic workflow orchestration
- Policy governance
- Human oversight
- Embedded analytics
- Memory persistence

They can execute complex, multistep processes with consistency, compliance, and empathy.

Platforms like Harvey and NeuroIQ.io exemplify this shift. They validate responses against policies, fuse rules based on employee attributes, and provide full audit trails. They capture sentiment, engagement, and feedback—creating insights HR leaders have never had before.

Your table mapping enterprise challenges to agentic AI capabilities fits perfectly here.

Why This Matters: Overcoming Organizational Inertia

Organizational inertia shows up in three forms:

- **Insight inertia**: Not seeing or accepting the need for change
- **Psychological inertia**: Fear of failure and comfort with the familiar
- **Action inertia**: Slow processes and rigid structures

Blue Zone characteristics address the cultural and strategic foundations. AI addresses the operational bottlenecks. Together, they create organizations that:

- Learn continuously
- Adapt rapidly
- Innovate purposefully
- Execute reliably
- Scale empathy and personalization
- Build trust through transparency
- Maintain resilience across decades

This is the formula for long-lasting, high-performing Blue Zone companies in the AI era.

Conclusion: The Path to Sustained Success

The story of the Blue Zone Company is the story of overcoming inertia—of choosing purpose over habit, learning over complacency, and agility over rigidity.

The companies that thrive in the coming decades will be those that:

- Anchor themselves in purpose
- Build cultures of accountability and learning
- Obsess over customers
- Innovate with intention
- And harness AI not just to automate tasks, but to **automate agility**

These organizations will fix the roof while the sun is shining. They will balance stability with reinvention. They will create environments where people and technology work together to deliver extraordinary, sustained performance.

They will become the Blue Zone companies of the future.

CHAPTER 37

Building a Workplace Culture that Supports Mental Health

By Ola Snow

I had the privilege of serving in HR leadership positions at Cardinal Health for more than 24 years, the last seven of them as Chief Human Resources Officer, before I retired in February 2026.

Cardinal Health's mission is to improve the lives of people every day; its vision is to be healthcare's most trusted partner. It's a special company both for its mission and vision and for its workplace culture. Leaders are committed to building an inclusive culture where employees support one another and embrace each other's differences, so that everyone can thrive at work and at home.

For me, one of the most important aspects of the culture is its focus on mental health: The workplace has become a psychologically safe space where employees understand that it's OK to not be OK, where mental health is discussed and destigmatized, and where employees have access to the resources and support they need.

The Start of the Journey

The company's increased focus on mental health began years ago, after I received a phone call with the devastating news that one of our senior executives had died by suicide. This colleague and friend had been the consummate leader: successful, confident, always appearing in control. His loved ones and his colleagues were shocked and saddened by the loss, and by the realization of the suffering and emotional pain he must have endured before he died.

I had experienced mental health issues firsthand, supporting family members and friends through various challenges, but I had never shared these experiences with colleagues, either. I suspected that if two of Cardinal Health's leaders had struggled, many other employees had, as well.

I took a close look at our employee claims data, and found a significant percentage of our workforce were experiencing mental health issues. That discovery really wasn't surprising; one out of every two people in the world will develop a mental health disorder sometime during their lifetime[1], many of them, of course, in their prime working years.

But it did inspire me to take a new approach with our workforce, because issues like anxiety and chronic stress can keep employees from being fully themselves, and can inhibit creativity and problem-solving skills. They can lead to mistakes and even injury. Yet around the world, fewer than 30% of people get the mental health treatment they need[2].

I knew that our employees' well-being and safety depended on addressing mental health directly, and I believed we would be effective only if our leaders were engaged. We needed new programs and education, and, just as importantly, we needed a cultural transformation, with executive support and sponsorship, vulnerability and the open sharing of personal experiences to ensure every employee feels safe and supported in asking for help.

The Ethical and Business Imperative

The COVID-19 pandemic did much to heighten awareness of the importance of mental health. In the first year alone, there was a 25% spike globally in the prevalence of anxiety and depression. Many employees were working remotely, and the isolation, fear of disease and widespread suffering created mental health challenges that many had never before experienced. Many leaders were willing, some for the first time, to talk openly about our own burnout, stress, loneliness and depression[3].

So we began talking about mental health with employees. We increased employee resources, hosted virtual mental health sessions for employees and their family members, and encouraged employees to step away from work when they could to focus on their mental health. It became clear that workplace mental health was no longer a "nice-to-have" benefit; it was a strategic necessity that could positively impact the workplace for decades to come.

Yes, addressing mental health in the workplace is the right thing to do. But the economics are clear, too. Poor mental health drives absenteeism, presenteeism, and workplace accidents. In the U.S. alone, the economic burden of depression, anxiety and other mental health issues exceeds $280 billion per year[4], underscoring a truth every human resources leader must embrace: mental health impacts performance, retention and organizational success. The good news? Employees who receive mental health support report 80% higher job satisfaction and improved effectiveness[5]. In other words, mental health initiatives are not just wellness programs – they are productivity strategies.

Why Employees Stay Silent and the Role of HR

Unfortunately, stigma remains a formidable barrier to speaking up and seeking help. A 2025 National Alliance on Mental Illness poll revealed that 42% of employees fear career repercussions if they disclose mental health struggles. Misunderstandings about the efficacy of treatment and lack of access compound the problem.

HR leaders must foster psychological safety and normalize conversations about mental health, and are uniquely positioned to do so. When we share our mental health experiences, teams feel empowered to do the same. At Cardinal Health, we brought this to life through annual mental health town halls, where executives and employees openly discuss challenges and available resources. This transparency has an impact: After the 2025 town hall, we saw a significant spike in EAP engagement.

Focusing on Support and Education

Early in the pandemic, our executive leadership team was making life-defining decisions for our employees. Many of us were struggling – with anxiety, sleep disruption, and isolation. I chose to share my struggles with employees, and through webcasts and videos, began talking about my worries – about employees and their families, about my own family – and their impact on me. I shared that I had come to realize that asking for help isn't a sign of weakness; it's a sign of strength.

Other leaders at our organization stepped up, too, sharing their own journeys, and we've continued to do so. This has helped destigmatize mental health issues across our workforce.

We developed a training strategy, and in 2024, launched "Talking about mental health," a course required for all bonus-eligible employees designed to teach the signs of mental health distress, how to respond with empathy, and how to start mental health conversations with colleagues. It also provides an overview of available resources. Late in 2025, we introduced a second required course, "Mental health in the workplace," which offers a deeper dive into practical strategies for responding to and supporting employees who may be struggling.

We made Mental Health First Aid (MHFA) training available and free to all U.S. employees. (The training is not yet available in many of the other countries where Cardinal Health employees live and work.) MHFA training is a day-long, evidence-based, early-intervention course. It teaches the skills to recognize and respond to those experiencing a mental health challenge, and to provide early support until appropriate professional support is available. After seeing a rise in behavioral health claims for employees' dependents, we also made available an MHFA training specifically focused on supporting youth.

We selected MHFA training because it is effective. Multiple peer-reviewed studies show that those trained in MHFA understand the symptoms and risk factors of mental health issues, have greater confidence in helping others, and better manage their own mental health[7].

In 2026, Cardinal Health began rolling out MHFA training in distribution centers (DCs), aiming for one certified Mental Health First Aider per shift – a powerful example of embedding mental health into operational safety.

Cardinal Health makes additional trainings available to employees, and provides free access to Headspace, an evidence-based digital platform that supports mindfulness and stress reduction.

Expanding Resources for Accessibility and Inclusivity

Cardinal Health strengthened its EAP by partnering with SupportLinc, which matches employees with culturally competent providers offering evidence-based care. Every employee and household member receives eight free counseling sessions per issue annually, regardless of benefit enrollment.

Research confirms that EAPs significantly reduce symptoms of depression and anxiety while improving job satisfaction, productivity, and retention. For HR professionals, investing in robust EAPs is a high-ROI strategy that enhances both well-being and organizational performance[8].

Strategic Communications: Driving Awareness and Engagement

Cardinal Health regularly uses multi-channel communications to normalize mental health conversations:

- Intranet stories featuring employees and leaders sharing personal experiences.
- Annual town halls spotlighting mental health resources and real stories.
- Frontline engagement: DC leaders integrate mental health into safety talks, provide private spaces for EAP calls, and display resource signage.

These efforts align with research showing that workplace cultures built on trust and support improve psychological safety and belonging, which are critical for mental health and productivity[9].

Community Impact

Cardinal Health extends its commitment beyond employees, supporting community mental health initiatives, including:

- **The new Center for Psychiatry and Resilience at The Ohio State University Wexner Medical Center**: This Center provides clinical services and conducts research to better understand mental illness and addiction, with the goal of developing practical strategies that help prevent mental health disorders, support recovery, and build resilience.
- **Conversations with business leaders**: Cardinal Health and the Ohio Business Roundtable (OBRT), a nonprofit organization of business leaders, have hosted two convenings among Ohio CEOs focused on the mental health challenges facing our

workforces and communities, and on various efforts to support those with mental health issues.

- **Our customers**: The Cardinal Health Foundation and the National Community Pharmacists Association Innovation Center have partnered to provide funding and scholarships for pharmacists to attend MHFA training, enabling these healthcare providers to better care for patients.

This level of community engagement shows that businesses can be catalysts for societal change in mental health.

Action Steps for Emerging HR Leaders

1. Assess organizational needs: Use surveys and data to identify mental health gaps.
2. Normalize conversations: Train leaders to model openness and empathy.
3. Invest in evidence-based programs: Prioritize MHFA, EAP enhancements, and digital tools.
4. Communicate consistently: Use storytelling and multiple channels.
5. Measure impact: Track utilization rates, engagement scores, and productivity metrics.

Addressing mental health in the workplace is no longer optional. It's essential for ethical leadership and business success.

Yes, we added many resources and programs to support employees' mental health. But it was by combining these with leadership sponsorship, storytelling and vulnerability that truly transformed our culture. This strategic transformation has helped create a workplace where all employees truly have the opportunity to thrive.

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CHAPTER 38

Culture at the Core: Building Purpose and Belonging at Trane Technologies

By Mairéad Magner and David G. Collings

Introduction

The creation of Trane Technologies marked a transformative moment, arising from the separation of Ingersoll Rand's industrial businesses and the formation of a new climate innovation company. This was far more than rebranding; it was a profound reinvention—blending a 150-year legacy with a bold, future-focused vision. Central to this transition was Trane Technologies' purpose: **to boldly challenge what's possible for a sustainable world.**

This purpose provided the foundation for the company's strategic direction and led to seven co-created Leadership Principles, developed with input from global employees. These principles, intentionally aspirational, reinforce the expectation that every team member is a leader and directly support Trane Technologies' purpose. They are also the values which underpin the culture at Trane. This collaborative approach placed employee voices at the core of culture-shaping and underscored the two-way nature of the employee experience.

Since its founding in 2020, Trane Technologies has seen remarkable success—annual revenues have climbed from $12.5 billion to over $21 billion, market capitalization has grown from $35 billion to over $90 billion, and the workforce now boasts 46,000 employees, up from 35,000. Culture and people are recognized as central to this performance, serving as key differentiators not only in terms of what teams accomplish, but how they achieve success (Regnery, 2025).

This chapter explores four critical lessons learned about the impact of culture on Trane Technologies' effectiveness and growth.

Delivering a Consistent Employee Experience

A strong culture is fundamental to delivering consistent employee experiences. Organizational purpose and the Leadership Principles serve as a compass for decisions and behaviors, making them a daily focus for leaders at every level. For a global company, the challenge—and opportunity—is to foster consistency across regions, roles, and backgrounds. Intentionality is vital: nurturing belonging and highlighting the centrality of people and culture.

Local engagement brings this commitment to life. One notable example is Trane Technologies' Purple Teams. Serving as ambassadors in their communities, these teams lead volunteer and engagement initiatives, including a global month of service that mobilizes employees worldwide. This creates opportunities for employees to connect the organization's purpose to their local context in meaningful ways.

An ongoing commitment to employee development also anchors this consistency—most notably through a forward-thinking approach to tuition advancement. By offering upfront tuition payments, rather than traditional reimbursement, the company broadens access to education and development, demonstrating a real investment in employees' growth.

Notably, recent years have brought shifts in employee orientation—increasingly becoming more localized, for example, as a result of the COVID-19 pandemic, evolving political climates, and increasing barriers to skilled migration (such as the rising cost of H-1B visas in the US). For a global enterprise like Trane Technologies, the challenge is to maintain a cohesive global outlook while respecting these local realities.

The Work Is Never Done

Culture is never static. CEO Dave Regnery frequently reminds teams that, "Culture is one of those things we need to work at every day" (Regnery, 2022). Leaders at every level are encouraged to reject complacency, continually challenge what's possible, and innovate, wherever they are in the organization. Many of Trane Technologies' most innovative and practical solutions have emerged locally, close to the customer.

Given the rapid pace of internal and external change, culture must evolve alongside shifting expectations, technologies, and societal trends. The company's unwavering focus on maintaining an uplifting, inclusive culture and on creating opportunity for all reflects this. The annual employee survey, with response rates exceeding 90%, helps Trane Technologies benchmark engagement and culture against industry leaders. The company consistently achieves top-quartile engagement, a testament to leaders' accountability for the environments they create. Managers with five or more direct reports receive team-level results and are expected to act on local feedback, embedding continuous improvement into daily leadership.

Agility Needs a Compass and Reinforcing Mechanisms

Over the past five years, organizations everywhere have faced extraordinary volatility—from the COVID-19 pandemic and geopolitical conflicts to rapid technological transformation and shifting global trade. This volatility demands unprecedented agility, and for Trane Technologies, culture has served as an essential navigational tool.

Culture provides the glue that binds systems and processes, ensuring they reinforce the company's purpose, especially in uncertain times. For example, during the COVID-19 pandemic, Trane Technologies maintained business continuity by empowering local leaders and investing in people and development, even amid crisis. This meant first and foremost investing in safety protocols, particularly at manufacturing plants. It also meant adjusting to remote work, and how to address new challenges: social isolation, onboarding new hires virtually, and maintaining a consistent employee experience in a hybrid environment.

This involves reinforcing mechanisms. Leaders refer to this as a "system of things," which can include leadership routines, two-way communication channels, operating models, talent planning, and capability development. Key reinforcing mechanisms remain in place, regardless of external challenges. Staying agile also means adjusting priorities to meet the context, such as rethinking talent attraction or retention strategies for emerging roles in the digital space.

Creating Opportunity for All

A critical aspect of organizational "rewiring" is prioritizing the development of internal talent, rather than relying on external hiring. Expanding entry and advancement pathways is a core strategy for Trane Technologies—shifting away from unnecessary credential requirements. In many roles, a degree or prior industry experience is no longer mandatory; instead, a skills-based approach widens the pool of qualified candidates. Under a banner of "recredentialing," 80% of new hires no longer require a four-year degree. Other initiatives include apprenticeship programs for technicians and broadened entry routes in digital and software domains.

Creating opportunities all also means reimagining team composition and tapping into diverse perspectives to strengthen the company's ability to innovate and grow. Trane Technologies deliberately engages a broad talent pool to accelerate innovation and meet the diverse needs of a global customer base. Business Resource Groups (BRGs) and localized Inclusion Networks foster belonging, offering voluntary opportunities for all team members to connect, support one another, and contribute to the company culture.

Conclusion

Trane Technologies has achieved remarkable success since its launch in 2020, reimagining its 150-year legacy under a new name. From the outset, purpose and culture have been at the forefront, with employee voices woven into every stage of this transformation. As outlined, four lessons illustrate how culture has fueled the company's performance and offer a valuable platform for continued success amid a complex and rapidly changing global environment.

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CHAPTER 39

The Case for Culture

By Paige Ross

The culture of an organization is simply what sets it apart — it's not a tangible thing, but it can be felt in its offices, in meetings, and in every interaction employees have with their colleagues. Every company culture is unique, and it's imperative to clearly define it so people know exactly what they are signing up for when they decide to join your organization. And once they arrive, that culture must be consistently reflected across the employee experience.

As noted in *Harvard Business Review's* article titled "Proof That Positive Work Cultures Are More Productive," "…A positive workplace is more successful over time because it increases positive emotions and well-being. This, in turn, improves people's relationships with each other and amplifies their abilities and their creativity. It buffers against negative experiences such as stress, thus improving employees' ability to bounce back from challenges and difficulties while bolstering their health. And, it attracts employees, making them more loyal to the leader and to the organization as well as bringing out their best strengths. When organizations develop positive, virtuous cultures they achieve significantly higher levels of organizational effectiveness — including financial performance, customer satisfaction, productivity, and employee engagement."

It has never been more important for HR leaders to focus on culture. Every decision, including who you hire, promote, or choose to exit, signals what your organization values. In the sections that follow, I'll share ways to embed culture throughout your organization, and it starts with setting the right tone across every level.

Elevating Culture Through Hiring

Blackstone was founded by entrepreneurs Stephen A. Schwarzman and Peter G. Peterson. They purposefully and thoughtfully shaped our culture, and our leaders and employees are stewards of it. As Steve shared in his book, *What it Takes* (Schwarzman, 2019), when he and Pete started Blackstone, they were looking for 10 out of 10s, which they defined as people who "sense problems, design solutions, and take the business in new directions without being told to do so…if we could attract the right people and build the right culture…we could create real value for our clients, our partners, our lenders, and ourselves."

I think of Blackstone's culture as a tripod. First is intellectual honesty. As fiduciaries of our investors' capital, we need to be honest about the data in front of us in order to make the best possible decisions. Second is teamwork. Teams make better decisions and hiring people who can collaborate is key. Third is entrepreneurial spirit. It's about the art of the possible, never being okay with the status quo, driving innovation and caring a ton.

To ensure we are hiring 10s who help us maintain this culture of excellence, we have a rigorous hiring process, including assessments, case studies, references and several rounds of interviews to ensure we are getting the full picture. It's a science and an art, and while we deeply value financial or technical skills, we also recognize the value of non-technical skills, or emotional intelligence (EQ).

There are some simple, yet impactful, ways to assess if an individual will enhance an organization's culture that have stood the test of time throughout my career. In an interview, it's important to understand what a candidate has learned from their mistakes. If you can get someone to openly talk about what they've gotten wrong and what they've done to fix it or ensure it doesn't happen again, you get a tremendous amount of insight. The reason I ask this is because our culture is built on the fact that we can always be better. We are honest with ourselves and one another knowing that constructive feedback helps us move forward. It's also important to gain insight into a candidate's ability to build relationships, collaborate, engage with leadership, and lead others.

Robust Onboarding Experiences

Robust onboarding experiences are crucial to positive workplace cultures — the first impression of your company matters. Orientation is a place to showcase what makes your culture unique and have your new employees hear from a variety of voices across the organization. For example, new hires watch dynamic videos featuring our leaders, hear a detailed overview of our talent development offerings and members of our Employee Resource Groups provide an overview of what we offer to all our employees.

Beyond orientation, it's important to incorporate meaningful experiences within an employee's first year, which should include opportunities to get more detail on what is heard during orientation and connect with leaders live. As part of our onboarding program, new employees hear from Stephen A. Schwarzman, our Chairman, CEO, and Co-Founder, and Jonathan Gray, our President and COO. They personally lead sessions where they share their perspectives on leadership, the firm's values, and answer employees' questions. Through our Leadership Speaker Series, senior leaders provide overviews of their businesses and deeper insights into our culture.

Since the very beginning, Blackstone has focused intently on how people treat one another. While hiring people who are nice is important to us, we also have training which ensures employees understand the behavior that is expected, that we are following good management practices, and that our workplace is a place of fairness and respect. It is highly customized to our workplace and incorporates realistic case studies that employees reflect on and discuss. I recommend trainings like this be mandatory across all levels within a new hire's first few months at a company, so it is crystal clear what your company stands for.

How You Bring People Together Matters

It's important to be intentional in how you bring people together, and this is an area where you have tons of liberty to get creative. The ways in which you bring people together, whether formal or informal, should feel authentic to your leaders and your employee population.

During our weekly Investment Committee meetings, our teams dig into the details on potential investments, debate ideas (not people), and work toward the best answer together. The goal of our rigorous process is always seeking the truth and setting aside bias to make the strongest decisions for our investors and our firm. When we make a decision to move forward with a particular deal, the entire team owns it, not one person. The mindset that we all win and lose together drives collective responsibility, accountability, and collaboration, which are fundamental to our culture.

Nearly every Monday, Blackstone employees attend BXTV, a global call led by our President and COO, Jonathan Gray, where he and other senior leaders share valuable insights and updates to motivate, inspire and ensure that all employees feel connected. Efforts like this humanize leaders in a powerful way and make them more accessible, especially as an organization grows and your workforce is spread across various geographies. Sometimes we underestimate how much employees want to hear from leaders and giving them these regular touchpoints makes a difference.

Lastly, providing opportunities for employees to give back in ways that are meaningful to them is incredibly important. Through our Blackstone Charitable Foundation, employees have many opportunities to support their local communities through volunteering, giving and board service. When your employees see that your company cares about the local community and has a culture of giving, it goes a long way, and the relationships formed during these efforts are priceless.

The key point here is that each time you bring groups of people together, whether the meetings are big or small, formal or informal, you have a choice to align the structure, the content and the norms of that gathering to your culture.

Growing and Developing Talent

Continuous learning is central to any workplace culture and there are many ways to facilitate this. What you choose to implement must feel organic to your organization and can, once again, include formal or informal efforts.

On the informal side, we believe in our apprenticeship culture, and that the best way to learn is by doing and having the support of someone senior who has done it before. The following can be incorporated into what is expected of managers, and great managers do this naturally in the course of their day. It comes down to investing time in mentoring and training junior colleagues and can look like:

- Taking the time to explain your thought process, how you would approach the work and why it is done a certain way, which helps to develop judgment
- Openly sharing experiences and lessons learned
- Facilitating situations where talent can get "reps" in managing through different situations
- Exposing talent to experiences beyond their core job responsibilities, which give them breadth while learning something they don't know how to do

In addition to this informal training, there are several types of formal programs that can be leveraged. Efforts that are available to every employee that they can self-select into are valuable. However, it is important to consider offering programs that are targeted to specific departments or groups (such as high-potentials), so you can customize to specific needs. Some examples of things we have found to be successful include:

- Mentorship and sponsorship programs to help talent expand their internal networks
- Nomination-based programs that accelerate readiness for strategic roles and broaden firm exposure
- Programs by level for new hires and recently promoted to increase firm knowledge and strengthen peer connections

I recommend piloting programs before full-scale launches and that you solicit feedback each year to ensure you are evolving programs to meet participant and business needs.

Pulse-Checking your Culture

Regular engagement surveys help you stay grounded in the reality of your culture at a firm, department and team level. It is important that your company's leaders champion this effort and encourage employees to answer questions honestly, as it's the only way you can enact change. Additionally, it is important to share the insights you glean from the survey and create actionable plans and clearly show how you have implemented them. At Blackstone, our leaders take this initiative and the data we gather seriously, and work closely with their HR Business Partners on creative and meaningful initiatives that support employee engagement.

Given our focus on continuous improvement, through our 360 process, employees receive candid and constructive feedback on the competencies that the firm most values. As mentioned earlier, we recognize the value of the blend of technical and EQ skills, and this spans across a wide spectrum of skills, including intellectual curiosity, the ability to build followership, or simply managers having empathy for their team members.

Future-Proofing Culture

The world is rapidly evolving, with every industry evolving alongside it. There is no shortage of topics being discussed at the time of publishing that undoubtedly have an impact on any organization's culture, whether AI or generational shifts in the workforce. In the years ahead, new forces will emerge and the only constant is change.

The organizations that will thrive are those that can protect the core of their culture while also allowing it to evolve as needed. As an HR leader, I encourage you to partner with your business leaders to identify the elements that are foundational to your culture and others that can and should evolve. Additionally, by collecting both quantitative (e.g. engagement surveys, retention) and qualitative data (e.g. focus groups, feedback from HR Business Partners), you will be armed with the data to make those decisions and continue to shape your organization in the years to come.

Culture Playbook:

Steps HR leaders can take now to reinforce culture in their organizations:

- **Define Your Cultural Pillars**: Identify and communicate 3–5 non-negotiable values or behaviors that drive your organization's success.
- **Hire for EQ, Not Just Skills**: Build a rigorous hiring process that assesses the behaviors that will enhance your culture.
- **Embed Respect and Civility**: Make respect a visible expectation through training, policies, and leadership modeling.
- **Create Effective Communication Channels**: Ensure leaders are accessible through regular updates, town halls, or open Q&A sessions. Use multiple formats (video, in-person, written) to meet employees where they are.
- **Design Immersive Onboarding Experiences**: Go beyond policies and procedures. Introduce new hires to your values, leaders, and opportunities to learn and expand their networks over the course of their first year.
- **Model Your Culture in Every Interaction**: Align meeting structures, norms, and decision-making processes with your values.
- **Build Apprenticeship into Everyday Work**: Encourage managers to explain their thought process, share lessons learned, and give stretch opportunities. Recognize and reward leaders who invest in developing others.
- Measure Culture Health Regularly: Use engagement surveys, retention data, and qualitative feedback to track progress. Share results openly and act on the data.

CHAPTER 40

Fusing Performance and Culture: Hardwiring the 'How' Into the 'What'

By Tim Richmond and Emily D. Campion

Many organizational decision makers are happy to recite their mission and values, yet tolerate behaviors that contradict them—especially from high performers. For organizations that face this issue, Tim Richmond, recently retired after 12 years as CHRO of AbbVie, advises that the remedy is not a slogan, but rather hardwiring culture into HR systems so the "how" (culture-driven behaviors) formally supports the "what" (performance). In our conversation, Mr. Richmond—reflecting on his CHRO tenure at the global biopharmaceutical company—outlined a set of principles for leaders to adopt: (1) define culture as both cultural norms and processes, (2) vertically integrate those expectations across HR and business processes, (3) differentiate rewards to reinforce the right behaviors, (4) install simple feedback mechanisms that equip managers, and (5) secure CEO sponsorship and local culture ambassadors to make it real everywhere. In this chapter, we discuss these principles and pair them with immediate action items for leaders[1].

Principle 1: Define Culture as Both Cultural Norms and Processes

What Culture Really Is: Fusing Behavioral Norms and Performance

Culture is not words on the wall; it's the lived experience of how work gets done. It blends the core elements of business: behaviors, norms, and how we operate with processes, procedures, and business mechanics. The practical implication: if you want the culture you claim, you must hardwire culture elements into your HR system so employees experience it every day—not just read it.

This includes creating and implementing metrics that matter to your culture and performance. To know whether culture is truly hardwired, utilize and track behavior-weighted performance ratings, reward distribution to culture exemplars, measure employee engagement by unit, (and compare against internal (company) and external (best company) benchmarks, reinforce manager capability (timely, specific feedback), and consistency over time (stable expectations with periodic clarifications).

It is worth noting that fusing culture and performance, as well as the remaining principles, are generalizable to smaller firms. Culture can be done well with minimal dedicated headcount when framed as a performance driver, not a soft HR initiative. Start small, be consistent, and check in with employees about what is working and what is not. Revise as is necessary.

Action Items

- Write the behaviors you expect (plain language; no jargon).
- Ensure alignment and support from the CEO and executive team regarding these behaviors.
- Map each behavior to existing processes (e.g., performance reviews, promotion criteria, recognition, meeting cadences) to make sure they are reinforced and understood.
- Remove potential contradictions (e.g., a value of "collaboration" paired with solely individual bonuses).

Principle 2: Vertically Integrate those Expectations Across HR and Business Processes

Make the "How" As Important as the "What"

Many companies celebrate high output even when it comes with toxic conduct. That creates culture-killing exceptions. The antidote: explicitly equate behaviors (how) with performance outcomes (what) as the standard for people leadership, and set a high bar for the privilege of leading others. If someone is unable or unwilling to meet that standard, they cannot lead—or even remain—in the organization. To ensure that employees understand that the "how" is as important as the "what," organizational decision makers can help set their employees up for success by developing a talent philosophy. This should include leaders' stance and expectation on performance, behaviors, differentiation, accountability, and transparency.

This also means that leaders have to walk the walk. Some leaders will elevate with clear expectations and honest feedback; others will not. Diagnose whether gaps are skill (unable) or will (unwilling), support with coaching and behavior feedback, and act decisively if unwilling persists—redeploy or exit. The standard applies to everyone, especially leaders.

Action Items

- Communicate behavioral expectations with employees and leaders at all levels, and communicate it often.
- Lead by example by demonstrating value-driven behaviors.
- Publish a Talent Philosophy and embed it in every talent process.

Principle 3: Differentiate Rewards to Reinforce the Right Behaviors

Use Rewards to Change Behavior

When culture expectations are clear but still ignored, pull the rewards lever. Meaningfully differentiate rewards so that the best demonstrators of the culture earn the biggest awards—even compared to pure output stars. This moves attention quickly and can increase engagement because employees will more clearly see the connection between behaviors and rewards: the right conduct is tangibly valued.

But a word of warning: differentiation can also breed winner-takes-all mentalities. Prevent this by anchoring on true performance versus expectations, rewarding team behaviors explicitly, recognizing those that exemplify the "how" and the "what," and rebalancing incentives if individual output overwhelms unit outcomes and behavior markers. Monitor and adjust—especially in tight business cycles where zero-sum pressures surface.

Practical Guardrails

- Define "best demonstration" of behaviors with observable examples (e.g., shares credit publicly; builds cross-team plans) and communicate these to workers.
- Balance team vs. individual incentives to avoid zero-sum competition; tie a portion to unit health metrics.
- Explain decisions: managers must be able to answer "why did X get more?" in terms of performance and behaviors.

Principle 4: Install Feedback Mechanisms

Implement Lightweight Feedback Procedures

Hardwired culture depends on frequent feedback that's non-bureaucratic. There are at least two practical tools that managers can adopt to help them open a two-way path of communication with their employees. First is "Time to Talk" check-ins where managers host short, regular conversations covering performance, behaviors, and development. This simultaneously offers managers an opportunity to hear from employees about disconnects with organizational messaging. A second is employee surveys with unit-level reports and best-company benchmarks to coach managers and reduce variability across functions or geographies. Of course, ensuring that findings from check-ins and surveys are acted upon is crucial. If employees feel their feedback is not considered, they will stop offering it.

Action Items

- Host "Time to Talk" check-ins with managers to reinforce expectations and allow for two-way communication between leaders and managers.
- Send a survey to see whether your employees perceive that their culture-driven behaviors are as valued as their performance. Example questions may include (on a scale of 1 = strongly disagree to 5 = strongly agree):
  - My manager recognizes and rewards behaviors that reflect our culture.
  - In my team, the "how" is equal to the "what".
  - Feedback on my behavior is timely and specific.
  - Decisions about rewards and promotions are transparent.

Principle 5: Secure CEO Sponsorship and Local Culture Ambassadors

If culture is seen as an HR side project, successfully fusing value-driven behaviors and performance is a futile endeavor. Culture must be declared a business priority by the CEO and reinforced by the executive team—messaging, role modeling, and decisions that make the behavior expectations real. HR orchestrates, but the business owns it, so ensuring sponsorship at all levels is imperative. Enterprise statements can feel distant on a plant floor or in a lab. Embed volunteer culture ambassadors in every function, site, and affiliate to localize the big ideas. Ask each team to pick 3–5 high-leverage moves per quarter—owned by the people doing the work—to boost listening, action, and positivity.

Action Items

- 60-minute kickoff: review behaviors, brainstorm local actions.
- Pick 3–5 high-leverage moves per quarter (e.g., peer recognition, cross-shift huddles, behavior champions).
- Share one story per month where the culture enabled performance (email, huddle boards, Teams posts).

Conclusion

Culture is a performance lever, not a poster. Yet, any notion of changing the culture in "two quarters" is a fantasy. Commit multi-year with stable expectations and periodic clarification—not reinvention. Define culture simply, hardwire it into all systems and processes, differentiate decisively, and equip managers to provide and receive constant feedback. Secure CEO sponsorship, localize the work through ambassadors, and stick with it long enough for consistency to compound. When you do, culture becomes the way you win—and keep winning.

CHAPTER 41

Holistic Leadership: Lessons from a Career in HR

By Tom Plath and Corine Boon

Over the last decade, the world of work has changed rapidly. Companies are increasingly expected to serve not only their shareholders but also their employees, customers, suppliers, and communities. As a former CHRO of a global corporation, I've seen firsthand how this broader responsibility reshapes leadership — and why HR plays a critical role. For nearly fifty years, the dominant ideology has been Milton Friedman's argument that the sole responsibility of a corporation is to increase profits. That idea shaped the thinking of generations of leaders.

In 2019, the Business Roundtable, a group of 181 leading corporations in America, changed that definition. Yes, shareholder value was still central. But it was no longer singular. Stakeholder value was added to the purpose of a corporation. The Business Roundtable stated that corporations should also deliver value to their customers, invest in employees, deal fairly with suppliers, and support the communities in which they operate.

This shift mirrors what many HR leaders have long understood and what research supports: organizations that consider the full set of stakeholders tend to be more resilient, more innovative, and more sustainable. And this is what I saw: the organizations that truly excelled, regardless of sector or size, shared a way of operating that I think of as holistic leadership.

Defining Holistic Leadership

When people talk about "holistic leadership," they often mean qualities of an individual leader: self-awareness, emotional intelligence, or personal balance. Those matter. But I use the term differently. So how do I define holistic leadership? Holistic leadership is an organizational capability. I believe that many organizations achieve excellence because that holistic leadership is core to who they are as an organization.

Holistic leadership is more than profits. Holistic leadership things about all stakeholders. Holistic leadership understands that there's an inextricable link between stakeholder success and firm success. It is a mindset that thinks broadly about excellence at an organizational level.

What I Learned from Working Across Very Different Organizations

Over the course of my career, I've become involved in a disparate group of organizations. After I left my CHRO role, I wanted to continue to provide leadership and value in an organizational context. I wanted to work with organizations that I WANTED to work with. I serve on the boards of two private equity firms (one in Colorado, the other in Stockholm), a college in Wisconsin, a privately-held startup winery in Washington, a literacy 501(c)(3) in Washington, DC, and a US-based cooperative of leading companies working to transform self-insured health care. These are obviously really different industries and settings.

When I had to complete a fairly fundamental task of putting those into the format of a CV or resume, it made me think about a theme or header that identifies how my current work experience fits together. The header I chose was this – *I am an advisor/board member for growth organizations with great leaders.*

When I think about why I'm proud to be part of those organizations, it's not the differences. It's what's the same. Each of them exercises **holistic leadership** at an organizational level.

It's so striking to me that organizations can operate in markedly different segments, markets, industries, and geographies and yet, for the leading organizations in those different segments and markets, the way that so many achieve excellence is the same. Here are the core lessons that I learned.

Lesson 1: Great Organizations Elevate Everyone Around Them

As a team leader, I used four criteria to assess the annual performance of my team members: performance versus objectives, the difficulty of those objectives, how the individual achieved the results and what I termed "Impact". I believe great leaders make the people around them better. That's impact.

Several years ago, I attended a Michael Bublé concert in Cleveland, Ohio. He's an incredible performer in the genre of Frank Sinatra. For the Cleveland concert, he had a local orchestra accompanying him. Do you think that orchestra performed at a higher level when they were supporting Michael Bublé? I do. The Michael Jordans, the Pavarottis, the Warren Buffetts of the world – they make those around them operate at a different level. I think that concept of *impact* applies to organizations as well. Great organizations that exercise holistic leadership make those around them - their stakeholders – operate at a higher level, simply because they define a new level of excellence.

Lesson 2: Employees Stay (and Leave) for Predictable Reasons

I believe there are four reasons why employees stay at an organization. And why they leave. The four: the employee's manager, the culture (including the life flexibility that culture provides), the development provided to the employee, and the purpose of the organization. Organizations that exercise holistic leadership want to retain great employees. They understand why employees leave and why they stay. They develop them in ways that not only benefit the organization, but benefit the employees too. They have purpose and talk about that purpose, which is incredibly appealing to those who work there. In other words, organizations that exercise holistic leadership understand their employee value proposition.

Lesson 3: Culture Is Central

That adage of culture eating strategy for breakfast is well-known. It always seemed a bit trite to me. That is, until I started getting into board meetings at all of those different organizations. And one topic kept coming up – culture. It's incredible how much big-thinking leaders invest in shaping strong cultures. Organizations that demonstrate holistic leadership care about their culture because they know it's a key driver. It may be ***the*** key driver.

How to Activate Holistic Leadership

Organizations should dream big about their impact. I don't know whether holistic leadership drives excellence or whether excellence drives holistic leadership. In reality, the cause/effect doesn't matter. I believe that most winning organizations have both – a belief that holistic leadership is core to success and a relentless focus on excellence with those that they impact.

Holistic leadership is not abstract. It shows up in hundreds of small decisions that compound over time. Together, these small decisions operate as a synergistic system in which the whole is more than the sum of its parts. One metaphor that reflects this comes from the art at St. Peter's Basilica in Rome. Most people who walk in for the first time believe that they're looking at paintings. They're not. On the walls and ceilings of St. Peter's are 33,000 square feet of mosaics. Small tile pieces that have been put together into magnificent art. I believe that organizations and what they do are mosaics. Singular actions and decisions that can create beauty when you put them together. Every hiring decision, coaching conversation, process improvement, partnership, and cultural choice is a tile. Each might seem small. But put together over time, they create an organization's identity, and its excellence.

Watching organizations that exercise holistic leadership is a thing of beauty. So many decision points and resulting actions that, when put together, demonstrate the art of leadership excellence at an organization level.

Another metaphor is mathematical. Think of individual growth curves. When you stack them, you get exponential growth. When organizations stack excellence in how they operate with all stakeholders, the outcome is exponential. That is the power of the systems view.

Principles of Holistic Leadership for Future HR Leaders

Principle-based leadership is core to achieving holistic leadership. Here are five key principles.

- **Right things, right ways, right reasons, all the time** – Excellent organizations use this principle in every situation. They do the right things. They do those things in the right ways. They ensure that the reasons they are doing those things are the right reasons. And they never vary from that philosophy.

- **Excellence is the performance standard** – If it's worth doing, do it well. Every tile in a mosaic is excellent. And when those excellent tiles are assembled, it's a thing of beauty.
- **The Venn diagram** – Leaders have individual development needs. Their organizations have business priorities. When organizations identify these intersections, and create an individual development plan that addresses these business priorities, that's nirvana.
- **Methodical urgency** – I coined this term because I was making mistakes early in my career. It seemed that I was either trying to go too fast and skipping steps. Or I was ensuring every step was completed, but missed the urgency. What I learned was this principle of methodical urgency - Go fast, but don't skip any steps.
- **Empathetic candor** – I had tons of one-to-ones with employees. I delivered direct, candid feedback, both positive and constructive. When my direct reports received critical feedback, they didn't recoil. Because they knew the reason I was giving it to them was to make them better and I understood where they were. Great organizations do this en masse.

Pre-emptive anticipation – I believe anticipation is the most under-emphasized competency of leadership. Great leaders anticipate constantly. They find time to think about the future and decide what they need to be doing now. Great organizations do the same. They pre-empt issues and identify opportunities because they are constantly thinking about the future.

The Upside: What Stakeholder-Aligned Leadership Creates

The results of holistic leadership at an organizational level are significant and impactful. Engaged employees deliver better results. Organizations driven by purpose and principles attract the best talent, the best suppliers, and the best customers. Organizations that practice holistic leadership earn a positive reputation. All of this drives support from these key stakeholders. Holistic leadership organizations, simply stated, produce great results for their stakeholders and their shareholders.

Putting It All Together

Booker T. Washington once said, "Excellence is to do a common thing in an uncommon way." That's what holistic leadership is. If you embrace holistic leadership — if you think in systems, align stakeholders, and act with purpose, you will help build organizations that not only perform, but also elevate others.

So I'll close with some counsel for the next generation of HR leaders. You have a tremendous influence on your organization. You set the tone. You establish the principles. You hone the purpose. Think big. Recognize that your impact is far-reaching and broad. And when it's far-reaching and broad, you help drive organizational success. That success for your organization will be near-term and long-term. And, as a great HR professional, you will be doing what we're called to do – produce great results in great organizations.

PART VI

The HR Function

Human Capability and the HR Function

SECTION INTRODUCTION

Human Capability and the HR Function: Meeting the Challenges of Changing Requirements for HR

By Patrick M. Wright

The HR function is a central driver of human capability. Talent, leadership, and culture all depend on an HR function that not only supports these elements but actively builds and aligns them with organizational strategy. The chapters in this section explore HR's role in this process from multiple perspectives, highlighting how the function must continue to evolve to contribute meaningfully to organizational success.

Historically, HR has shifted from an administrative role to that of a business partner. Several chapters argue that even this evolution is no longer sufficient. Three chapters, in particular, present new paradigms for how HR must operate to create real business value.

Elliott proposes an significant transformation—from HR as a business partner to HR as a **value creator**. In this view, HR's work should be explicitly linked to enterprise value through revenue generation, productivity improvement, cost and complexity reduction, and culture transformation. Elliott argues that value creators think differently: they innovate like product managers, think like investors, build brands like marketers, and redesign work like AI engineers. He concludes that HR must move beyond execution as its primary source of value and instead focus on enabling measurable enterprise outcomes.

Ramstad and Boudreau similarly reconceptualize HR's role, framing HR leaders **as decision architects**. They offer a future-ready mission for HR: "*to improve the success of the organization by enhancing decisions that depend on or impact talent through services, governance, and insight.*" Because most talent decisions are ultimately made by line leaders, HR creates value by improving the quality of those decisions across the organization. This perspective implies a shift away from traditional HR metrics toward manager-centric measures that provide actionable insight into talent-related decisions.

Cappelli and Nehmeh focus on HR's role in creating **sustainable agility**, defined as "*the organizational capacity to adapt repeatedly over time without eroding the human and institutional foundations that make adaptation possible.*" They argue that an overemphasis on speed has left many employees disengaged and distrustful after years of constant change. To address this, they propose that HR should assess the human cost of change in advance, govern the pace and accumulation of change, embed adaptability into organizational systems rather than individual employees, and increase transparency so employees understand where they stand and what to expect.

As artificial intelligence has gained prominence, several chapters explore how it is reshaping HR's work and potential impact.

D'Ambrose and Keller argue that HR requires a fundamental transformation—even a redefinition—and that AI provides the tools to enable it. They note that traditional HR systems and processes are slow and time-consuming, often leading HR to focus on process compliance rather than outcomes. AI, they argue, can enable more effective performance management, learning and development, and culture management. Rather than replacing HR, AI raises expectations for what the function can and must deliver.

The Dicks chapter focuses on the challenge of creating value through the **orchestration** of humans and intelligent agents. As organizations move from stable to unstable environments, workforce planning must shift from optimizing headcount to strategically deploying limited resources, building resilience, and maximizing development and progression. This requires new dashboards that track how work is delivered across human and agentic systems, as well as workforce skills, capacity, collaboration, and engagement. Such changes fundamentally alter the roles of HR processes, HR business partners, and CHROs.

Snell and Morris argue that traditional approaches to alignment were developed for stable environments and employment relationships bounded by organizational walls. Today, work increasingly occurs within ecosystems, creating the simultaneous need for alignment and adaptability. They propose that organizations manage this tension through ecosystem governance focused on workforce composition, strategic capability, and organizational culture. The chapter explores how AI can support governance across these dimensions and enable more effective HR ecosystem management.

Dufrane and Peterson share insights about how HR professionals acquire skills to meet client needs to make HR more strategic. Their personal experiences and ideas help HR professionals prepare for and deliver value. They propose that HR professionals must engage in continuous differentiation with their clients and that certification can be a success enabler. In addition, they explore both how AI is transforming organizations and HR and identify some risk factors associated with AI.

Then the Low chapter uses the metaphor of making a Yuzu Chiffon cake to examine the work of HR leadership. She explains the different stages of making the cake while drawing the similarity to the HR function in terms of: seeing the world with clarity, refreshing HR's identify, integrating purpose, people and policy, building trust, mobility and stewardship, designing systems that let people rise, ensuring systems that endure, and building muscles in the areas of strategy, design, data, and humanity.

Finally, two chapters address more traditional HR topics—compensation and the nature of work—through the lens of evolving expectations.

Tharp's chapter on executive compensation provides a clear link between HR and external stakeholders. He argues that executive pay decisions ultimately revolve around three questions: *pay versus whom, pay in what form, and pay for what?* Importantly, how organizations answer these questions sends powerful signals to executives, shareholders, regulators, and the public, making executive compensation a critical mechanism for stakeholder communication.

Cascio examines the evolving debate over remote work. He notes that the widespread adoption of work-from-home arrangements during the COVID-19 pandemic created lasting employee expectations for flexibility, which now conflict with many organizations' desires to bring employees back to the office. He offers ten practical strategies organizations can use to reduce resistance to returning in person, emphasizing incentives and conditions that make office-based work more attractive rather than relying solely on mandates.

The journey of HR transformation has continued over the past 30 years. Dave Ulrich's (1997) original model outlining the four roles of HR professionals, administrative expert, change agent, strategic partner, and employee champion began this rethinking of the role, processes, and outcomes that should serve as the focus of HR functions. These eight chapters continue this conversation in light of not just changes in the world, but a world now characterized by increasingly tumultuous change.

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CHAPTER 43

From Business Partner to Value Creator: Why Execution Excellence Is No Longer Enough

By JP Elliott

For decades, the aspiration for HR leaders was clear: earn credibility by becoming a strategic business partner. That model elevated the profession.

It brought HR closer to the business, strengthened alignment with strategy, and professionalized how organizations approach talent, performance, and culture. In many organizations, HR leaders today are far more capable, data-literate, and business-savvy than at any point in the past.

Yet, as the credibility of HR leaders has risen, so have the expectations of CEOs and the business leaders we support. Execution excellence is no longer evidence of strategic value. It is the baseline expectation.

In a world redefined by AI, accelerating competition, and organizational transformation, supporting the business is no longer the differentiator it once was. The game has changed. The bar has been raised. Being a strategic business partner is no longer enough.

Now, HR leaders must make a fundamental shift: from supporting the business to creating enterprise value. This is not a call for Human Resources to abandon what got us to this point. It is a call for HR to think, lead, and act differently to reach new heights.

What Value Creators Do *Not* Do

Value-creating HR leaders are often misunderstood—not because of what they do, but because of what they deliberately choose not to do.

*They do **not** confuse execution with impact.*

Recruiting the headcount plan, running yearly performance cycles, managing talent processes, and addressing employee issues are essential, but they are not value creation. They are table stakes. They understand that doing them well earns trust, not differentiation.

*They do **not** try to be everything to everyone.*

Value creators understand that strategic impact comes from strategic focus. They understand they have limited time, resources, and internal capabilities—and must use them deliberately.

They make strategic trade-offs, tough decisions, and are comfortable saying no to requests that do not align to their value creation objectives.

They do ***not*** *speak HR.*

They do not lead with jargon, frameworks, or language that only HR understands. They frame people issues in business terms—because the business does not care about HR outcomes for their own sake. It cares about performance and results.

Value-creating HR leaders aren't just clear on what they won't do; they are clear on where they can have an oversized impact and drive the organization forward.

From Supporting the Business to Creating Enterprise Value

Value-creating HR leaders understand that supporting the business is not enough and focus their efforts on identifying, prioritizing, and leading a small number of initiatives that are directly linked to one or more of four business outcomes:

- Revenue generation
- Productivity improvement
- Cost and organizational complexity reduction
- Culture transformation

This hyper-focus on what truly adds business value is critical. It shifts the perception that the function is executing an expanding list of HR programs and activities to making explicit choices about where it can have the most impact.

This is where HR leadership becomes genuinely strategic. Not by being involved in more work, but by shaping the work that matters most. The shift from business partner to value creator is the shift from "*How can HR support the business?*" to "*What enterprise problem should HR solve next to create value?*"

This reframing is critical. It changes everything about how HR leaders and the business leaders they support see their role, spend their time, and measure success. If the case for value creation is so clear, a natural question follows: why do so many capable HR leaders remain anchored in execution?

Why Most HR Leaders Choose Safety

The simple answer is because execution feels safer.

Value creation requires something different.

It requires a point of view.

> It requires identifying business problems.
>
> It requires initiating ideas without full authority.
>
> It requires accountability for outcomes that cannot be perfectly controlled.
>
> Most importantly, it requires the courage to change how HR is positioned.

This isn't a capability gap. It's the difference between leading for comfort and leading for impact. Executing what the business asks for reduces risk. If an initiative fails, responsibility is shared. If priorities shift, HR can credibly say it delivered what was requested.

Yet what might seem safe is actually risky.

HR functions that primarily respond to requests eventually become what might be called "vending machine HR": efficient, predictable, and excelling at order-taking.

From a CEO's perspective, this creates a simple equation. Functions with limited upside are managed for cost. Automation, outsourcing, and standardization follow—not because HR is unimportant, but because its impact has a ceiling.

CEOs invest in leaders who create value for the business. They manage costs in functions they see as infrastructure. The most forward-looking HR leaders see what others are just beginning to realize: in today's environment, playing it safe has become the bigger risk.

How Value Creators Think Differently

Value creators operate from a fundamentally different leadership lens. They do not measure success by how much work HR executes, but by how much enterprise value HR enables.

HR leaders who operate as value creators are open to and adopt different ways of thinking. They borrow methodologies and frameworks from disciplines outside the function—not to become something other than HR, but to unlock value with new thinking and innovative solutions.

These are not roles to mimic. They are lenses that change what HR leaders see, prioritize, and initiate—and they show up in four distinct ways of thinking.

1. They Innovate Like Product Managers

Business partners wait for requirements. Value creators talk to customers—internal leaders, frontline employees, board members—and uncover needs before they are articulated. They prototype solutions, test adoption, and iterate based on impact, not elegance.

They treat HR initiatives as products, not programs. That means:

- Designing around real user needs
- Testing and iterating quickly
- Measuring adoption and outcomes, not completion

Product-minded HR leaders are willing to pilot, refine, and even kill ideas that do not work. They understand that elegant solutions no one adopts create no value.

This mindset shifts HR from program ownership to problem ownership—and dramatically increases credibility with business leaders.

2. They Think Like Investors

HR leaders who think like investors recognize that time, talent, and attention are scarce. They make explicit tradeoffs. They prioritize two or three initiatives that directly affect revenue, productivity, cost, and organizational complexity, or culture—and deprioritize the rest.

Value creators understand this—and act accordingly.

They ask different questions:

> Where will an additional dollar of investment create the greatest return?
>
> What initiatives should we *stop* funding?
>
> Which work absorbs resources without materially changing outcomes?

Value-creating HR leaders are confident and comfortable saying no, not because the work is unimportant, but because it is not value-creating.

This is where HR leadership becomes strategic in the truest sense. Not by expanding the portfolio of people initiatives, but by deliberately narrowing it.

3. They Build Brands Like Marketers

Business partners describe HR programs. Value creators tell business stories.

Business partners talk about activities. Value creators talk about impact.

Many HR initiatives fail not because they are wrong, but because they are poorly positioned.

Value-creating HR leaders position talent initiatives as revenue drivers, culture work as business transformation, and organizational design as a productivity play. They understand that leaders do not buy processes. They buy outcomes. They frame initiatives around what matters most to the enterprise and tell a compelling story about why change is necessary now.

This ensures HR-led work is seen as a business initiative that drives value and increases the influence of HR leaders.

4. They Redesign Work Like AI Engineers

Value creators redesign workflows. They break work into components, decide where human judgment matters most, and use AI to redistribute effort—not replace people, but multiply their strategic impact.

The implications of this shift are profound. To redesign workflows, HR leaders must become experts in role, process, and task analysis. This requires a deep understanding of the business, as well as an understanding of organizational development and process consulting.

At the same time, they must also become AI fluent and be comfortable building, experimenting, and adopting AI tools. This knowledge allows them to match the right technology to the right task—an essential capability in redesigning work for the future.

The HR leaders who master both skills will be seen as both a technology adopter and an architect of how work gets done.

A New Standard for HR Leadership

The profession has spent two decades earning credibility through execution. That credibility is real. The question now is whether HR leaders will use it to keep doing more of the same—or define a new standard for HR leadership.

That means moving beyond execution as the primary source of value. It means choosing focus over activity, ownership over responsiveness, and impact over comfort. The future of HR leadership will not be judged by how well processes were run or how many initiatives were launched. It will be judged by the value created for the enterprise.

This shift offers something powerful—especially for the next generation of HR leaders. It offers permission: permission to lead with a point of view, challenge the status quo, drive more value, and have greater impact than ever before.

The Future of HR is not about HR doing more.

It is about HR mattering more.

CHAPTER 44

From Service Provider to Decision Architect: A New HR Mission

By Peter M. Ramstad and John W. Boudreau

Too many HR functions define their mission solely through the services they provide. They measure success by the satisfaction of their internal customers—the organization's leaders and employees. This service-oriented model, while well-intentioned, inadvertently limits the function's strategic impact. It focuses too much attention on satisfaction with HR programs and processes; it shifts attention away from other vital HR value propositions, and from the tangible business outcomes HR is meant to influence.

To maximize their strategic impact, HR functions must broaden their focus from providing services to enhancing the quality of talent-related decisions made by line managers across the organization. The daily choices managers make—on hiring, development, work assignments, feedback (formal and informal), and compensation—are what truly shape an organization's human capital. The single greatest lever HR can pull to influence enterprise success is to systematically improve the quality and results of these thousands of daily decisions. Here, we present a framework to define and guide this fundamental shift by redefining the typical HR mission statement. We provide an example showing how this new mission statement clarifies how HR analytics should drive manager accountability and, ultimately, improve organizational success.

In this chapter, we propose and explain why the following offers a new and more future-ready mission statement for HR:

> ***To improve the success of the organization by enhancing decisions that depend on or impact talent through:***

- ***Services*** *(programs and practices that implement the talent lifecycle, such as staffing, learning, remuneration, and employee relations),*
- ***Governance*** *(the structure, policies, and systems that guide responsible, compliant, and ethical management of work and talent-related activities), and*
- ***Insight*** *(distinctive expertise providing an accurate and deep understanding of the impact of talent and the implications of key decisions)*

This mission focuses on three core components: the ultimate goal (organizational success), the core process and scope for achieving that goal (improving decisions that depend upon or impact talent), and the three value streams HR must implement (services, governance, and insight).

The Ultimate Goal: Organizational Success

Most HR mission statements reflect only intermediate objectives, such as "to attract, develop, and retain exceptional talent" or "to deliver an exceptional employee experience." While important, these are means to an end, not the end itself. A truly strategic mission must create an explicit and direct link between HR's purpose and the success of the organization. Without this direct connection, the mission statement is fundamentally weaker and fails to position HR as a core driver of business results.

Of course, “know the business” is a ubiquitous and important guiding HR principle, but our proposed mission statement goes further, committing HR not only to know the business, not only to make a “business case” for its programs, but to make a tangible impact on organizational success through three specific value streams.

The Primary Value Path: Enhancing Decisions Impacting Talent, Anywhere in the Organization

The second element of the mission statement—"enhancing decisions that depend on or impact talent"—identifies the primary mechanism through which the HR function connects its contribution to organizational success. HR improves the organization by shaping the thousands of daily decisions made by leaders, managers, teams, and workers.

This also provides HR leaders with not only justification, but even an expectation to engage in a broad range of critical business issues, from financial planning to IT implementation, whenever those decisions affect the enterprise's talent. HR’s role is now extended beyond the traditional service-delivery boundary through its role as a talent and organizational *decision architect*.

The Three Value Streams: Services, Governance, and Insight

The mission statement's final component is a deliberate recalibration of HR's value streams. It places all three value streams on equal footing, it corrects the service model's overemphasis on "professional services", and it re-establishes governance not as a bureaucratic necessity but as a core contribution. Furthermore, it elevates "insight" – derived from distinctive expertise – as a primary deliverable, positioning HR as analytical (requiring expertise, decision frameworks, and data), not just administrative. This balanced portfolio defines a more robust and strategically relevant HR function.

An important point is that each of the value streams can, and should, contribute to the ultimate goal of organizational success, and the primary value path of enhancing decisions.

The Untapped "Teaching" Potential in the "Services Model" of HR

HR Services are the programs and practices that implement the talent lifecycle, such as staffing, learning, remuneration, and employee relations. HR's primary focus is often on these services, reducing the friction of unnecessarily complicated or clunky HR processes, and offering programs and practices that deliver experiences rated highly by recipients, such as leaders, managers, and workers. However, when "HR customer satisfaction" is framed only in terms of HR services, it creates significant, often unseen, challenges that limit HR's strategic potential.

For example, a singular focus on service delivery and satisfaction overlooks a fundamental truth: *The most important decisions that impact an organization's talent and organization occur without any direct involvement of an HR professional.* Such decisions include managers' daily choices about whom to hire, how to manage performance, and whom to promote. They include decisions by workers such as setting performance goals, crafting their job duties, supporting fellow workers, and engaging with development opportunities. They include decisions by leaders such as how to structure the organization and define and build culture. These decisions collectively determine the organization's strategic readiness. When HR defines success only by satisfaction with the services it provides when HR is "in the room", either directly or indirectly when managers operate within the HR design systems, that limits HR's impact on the quality of this vast and impactful set of daily decisions that happen when HR is not "in the room.

HR's ultimate goal is to improve any decision that *depends upon or impacts talent and organization*. The Services value stream plays an important role in this ultimate goal. Whether intended or not, HR's constituents learn how to think about their decisions as they use HR programs and practices. For example, selection, promotion, and performance systems define how to distinguish high-quality workers, which "teaches" managers and employees what quality means. HR analytics and measurement systems define important goals such as retention, culture, and performance, and "teach" decision makers what goals to pursue. Too often, however, this "teaching" role of HR services, programs and practices is overlooked. The focus is exclusively on implementing the services (such as when the organization accepts the implicit decision models embedded in packaged HR systems) or on user satisfaction with the services (which may overlook the fact that users often don't know what they actually need).

Connecting the Services value stream to the core HR process of improving decisions reveals an often untapped opportunity to design HR programs and practices to teach better decision models. Think about how the "services" of the Finance function operate not only to achieve needed financial tasks (audits, financial statements, etc.), but also teach (or reinforce) concepts such as internal rate of return, cash flow, and risk optimization. Teaching is even more important for HR given that most managers have an educational background that is much deeper in financial decision theory than talent management.

The Vital Role of Governance, Beyond the "Policy Police"

The Governance value stream is the structure, policies, and systems that guide responsible, compliant, and ethical management of work and talent-related activities.

This value stream is often executed exclusively through monitoring compliance with rules that may seem arbitrary to HR's constituents. HR becomes the "policy police," a stereotype very common in popular culture. To shed the negative "policy police" stereotype, HR functions often minimize the governance value proposition. This is a strategic misstep. Governance is a framework of policies, rules, practices, and processes, that provide oversight and "guardrails" for the organization's human capital management decisions. It reflects principles such as accountability, transparency, fairness, responsibility, and risk management. Governance is a core value stream for the HR function, not an administrative burden to be avoided. Just consider how more mature staff functions, such as Finance and IT, have successfully elevated their roles by embracing their governance responsibilities and dedicating significant resources to internal auditing, cybersecurity, and enterprise risk assessment.

Risk management is a core value proposition for HR, especially in the face of dramatic growth in employment-related regulations, from compliance requirements at more local (even municipal) levels to expanding complexities in areas like payroll, executive compensation, immigration, confidentiality, health insurance, and retirement. When HR shies away from defining, communicating, and resourcing its governance mandate, its perceived value is limited, and it may fail to protect the organization from significant and expanding risks. In addition, it may rob the function of a credible argument for the resource allocation necessary for HR governance investments.

Also, the governance value stream has a role in the core process of enhancing decisions. Like HR services, the guardrails and rules "teach" decision makers how to think about what is prohibited versus legitimate. Whether such guardrails are truly enforced can have a significant impact on how leaders, managers, and workers perceive the culture of the organization. Consider how differently the mental models of HR's constituencies will be affected when formally stated rules about due process, acceptable conduct or inclusion are rigorously reinforced routinely by the leadership culture or frequently ignored in practice.

Insight as a Vital Driver of Improved Decisions

Finally, we define the value stream of "insight" as distinctive expertise providing an accurate and deep understanding of the impact of talent and the implications of key decisions. HR professionals have distinctive expertise in how talent and organization affect strategic success. When HR is "in the room," they can bring that insight to many decision contexts. However, HR must think of themselves as "decision architects" and look at the variety of methods they have to influence the organization, including: direct engagement by HR professionals, teach the organization talent decision frameworks, and provide feedback loops on the decisions.

This value stream is too often only implicit. HR should consistently and rigorously measure and be accountable for the quality of decisions about talent and organization, whether those decisions are made by HR professionals, whether HR is "in the room" as an advisor/coach, and when HR is "not in the room," as decision makers learn from HR's service and governance value streams.

The new mission statement we propose requires new tools and approaches. We will illustrate this with one example: How it reframes HR metrics and analytics.

Manager-Centric HR Metrics

The new mission requires a shift: from measuring HR process efficiency/satisfaction or rule compliance to measuring the quality of talent outcomes. We will focus on the outcomes achieved by line managers. This shift moves HR metrics/analytics from being an internal report card on HR activity to being an indispensable tool for line manager accountability. Financial metrics have long offered a system to teach and hold line managers accountable for the financial outcomes of their decisions. HR should aspire to this type of impact.

One example is that HR scorecards should translate broad organizational goals into specific, manager-owned talent outcomes. Virtually all HR metrics and analytics can be repurposed this way. We will illustrate this by using employee turnover.

From Turnover Data into Managerial Insight

Traditional turnover percentages are insufficient for driving leader accountability. They tell nothing about the type of turnover or its business impact. Framing turnover metrics through our proposed mission statement of *insight* reveals the value of "turnover coding". Accounting enhances decisions by coding financial transactions to create insightful statements. Similarly, HR should codify the context of employee turnover, transforming simple percentages into richer business intelligence. This example illustrates the implications of our proposed mission statement for coordinating the entire HR function. It requires a seamless partnership between the HR business partners who teach and hold accountable their business unit leaders, with the back-end CoEs in staffing, development, and HR analytics, who develop the turnover coding system. For example, the following codes might be used for each departing employee:

1. **Performance Contribution**. The departure of a top performer is typically a more significant loss than the departure of a low performer, particularly when low-performer vacancies can be filled with better-quality external talent. A leader with a high turnover

rate may be celebrated and rewarded if that turnover reflects the departure of low performers.

2. **Competitive Risk.** A departing employee taking a similar role at a direct competitor represents a greater strategic loss than one who leaves the industry. Or they may take a position that potentially complements the business. For example, when a senior manager leaves a CPA firm to become the CFO of a client facilitating future business development. A leader's turnover rate looks very different depending on whether that turnover is feeding departing employees into competitive risks, strategically neutral transitions, or future complementary relationships.

3. **Strategic Impact of Vacancies**. The strategic importance of a vacant role depends on factors such as its position on a critical path for key projects, the difficulty of backfilling the position, or the availability of a ready internal successor. Turnover is more strategically damaging when it produces vacancies that take longer to fill, and in roles where performance is more pivotal. Business leaders deserve to be held accountable in ways that reflect this nuanced difference.

Notice how this transforms a simple operational metric — unit turnover rate — into a strategic tool, providing a defensible, data-driven basis for teaching managers how their unit's turnover pattern contributes to, or detracts from, organizational success.

The New Mission for Human Resources

The evolution from an exclusively service-centric model to a mission that more equally values service with governance and decision insight is vital for the future of Human Resources. By reframing and specifically articulating HR's mission as improving organizational success and embracing HR's role as a steward of governance and insight, as well as services, HR can transcend and honor its administrative legacy while advancing to a higher level of impact.

The greatest value HR can deliver is not through its programs and services, but by improving the quality and outcomes of the daily talent decisions made by line managers. Embracing this accountability-driven, analytics-powered framework will not only enhance the performance of managers but will also solidify HR's position as an indispensable driver of lasting organizational success.

CHAPTER 45

The Future of Sustainable Agility: Why HR Must Design the Future-Ready Organization

By Peter Cappelli and Ranya Nehmeh

Agility has become the default answer to almost every organizational challenge. Faced with technological acceleration, geopolitical uncertainty, shifting business models, and rising stakeholder expectations, leaders call for faster decisions, flatter structures, and constant transformation. In this environment, agility is no longer optional; it is widely seen as a prerequisite for survival. Yet paradoxically, as organizations chase agility more aggressively than ever, many are finding themselves less capable of adapting sustainably over time.

The problem is not change. Organizations have always changed and evolved. The problem is that agility has come to be defined almost exclusively as *speed*: the ability to pivot quickly, restructure rapidly, and redeploy resources at short notice. This narrow interpretation has produced organizations that move fast, but often at the expense of coherence, capability, and employee trust.

Employees are expected to absorb continuous disruption and be endlessly resilient in environments where priorities, roles, and expectations shift continuously, leaving them depleted rather than adaptable. At the same time, leaders mistake motion for progress, and HR functions are left trying to stabilize systems that were never designed to sustain this pace.

The next era of agility will look fundamentally different from the last. It will depend on an explicit balance between business demands for speed and people's capacity to absorb change. When that balance tips too far toward relentless performance pressure, organizations are left with an exhausted, brittle workforce that may comply but cannot adapt for long. When it tips too far in the other direction, organizations risk losing momentum, relevance, and the ability to respond to real external shifts. Sustainable agility depends on how deliberately organizations design and manage this tension, and this is precisely where HR's role must evolve.

This chapter looks ahead to what agility must become in the next decade, and what it will take to design the future-ready organization. It argues that adaptability can no longer be extracted from people through constant pressure, nor achieved through ever-faster cycles of change. Instead, it must be *deliberately designed* into how organizations structure work, develop capability, and govern transformation. HR's strategic contribution lies not in accelerating change, but in designing organizations that can adapt repeatedly without exhausting their people.

Why Speed and Alignment Are No Longer Enough

For the past decade, agility has been treated as a performance accelerator. Organizations shortened planning cycles, reorganized more frequently, introduced agile ways of working, and pushed decision-making closer to the front line. These shifts were often necessary and, in many cases, overdue.

A McKinsey & Company survey found that three-quarters of business leaders said that organizational agility was among their top three priorities. On average, they believe 68% of employees should be working in agile ways, compared with just 44% of employees who currently do[1]. Speed is visible. A restructuring can be announced. A new operating model can be launched. A transformation can be declared complete. Enduring adaptability, by contrast, is quieter. It shows up in whether employees will still commit to the next change, whether critical skills are deepening or eroding, and whether trust survives repeated shifts in direction.

At the same time, HR's traditional response to change, aligning people, culture, and capabilities with strategy, has become increasingly difficult to sustain. In today's environment, strategy itself is often fluid. Organizations pursue multiple, sometimes competing, priorities. Direction changes in response to volatility, technology, regulation, and geopolitics. Alignment, once the cornerstone of HR's strategic role, has become a moving target.

The combination of speed-driven change and constant re-alignment carries hidden costs. Roles are redefined faster than capabilities can be rebuilt. Priorities shift before learning has time to take hold. Employees are asked to remain resilient in environments that steadily drain energy and clarity. A Gartner survey revealed that employees' willingness to support change plummeted to 43% in 2022, down dramatically from 74% in 2016[2].

This is the inflection point HR leaders now face. Agility that depends on extraordinary effort may work once, sometimes twice, but it cannot be repeated indefinitely. Future-ready organizations therefore need a different approach. Instead of asking how quickly people can realign to the next strategy, they must ask what needs to be deliberately designed so the organization can absorb ongoing change without eroding trust, capability, and commitment. This shift sets the stage for *sustainable agility*.

What Sustainable Agility Really Means

We use the term sustainable agility to mean the organizational capacity to adapt repeatedly over time without eroding the human and institutional foundations that make adaptation possible in the first place[3].

Unlike traditional notions of agility, which focus on how quickly an organization can pivot in response to change, sustainable agility is concerned with what remains intact after each pivot. It's not about moving fast or slowing down in the name of employee well-being. It asks whether trust survives repeated shifts in direction, whether critical capabilities deepen or decay, and whether employees retain the energy and confidence to engage with what comes next.

This is particularly important because talent issues now top CEO concerns. The Conference Board's 2023 C-suite survey shows CEOs ranking employees ahead of shareholders as key stakeholders, with talent acquisition cited as the number one factor affecting their business, ahead even of "modifying our business model"[4].

At its core, sustainable agility treats adaptability as a strategic asset that must be protected and renewed. It recognizes that organizations do not run out of ideas for change, they run out of people willing and able to carry those changes forward. Designing for sustainable agility therefore means designing for continuity, so that each change strengthens rather than weakens the organization's capacity to adapt again.

HR's Design Mandate in an Era of Sustainable Agility

If sustainable agility is a designed organizational capacity, then HR's role must be defined in equally concrete terms.

The first design responsibility is making the *human cost of change visible before decisions are taken*[5]. In many organizations, decisions about restructuring and transformation are driven mainly by financial and operational considerations, while the cumulative impact on people is often overlooked. HR's task is to change that by creating awareness where it is often missing. Building dashboards that make the human impact of change visible, including indicators such as attrition in critical roles, stalled internal mobility, time to rebuild capability after major changes, employee fatigue and stress levels following repeated reorganizations, and declining engagement in impacted teams. When these signals are absent, leaders underestimate the true cost of agility and lose sight of how much change the organization can realistically absorb.

The second responsibility is *governing the pace and accumulation of change*. Agility rarely fails because a single initiative is flawed. It fails because too many changes converge in the same parts of the organization, overwhelming people and systems alike. HR is often the only function with visibility across these overlapping initiatives, because it sits at the intersection of workforce planning, organization design, talent movement, and employee experience, but that visibility only matters if it carries weight. Sustainable agility requires HR to be empowered to ensure trade-offs are clearly understood, challenge overload, and insist on clear prioritization across projects. This requires making deliberate decisions about when initiatives start, overlap, and pause, being explicit about what will not change, and allowing time for the organization to settle and regain stability before the next wave of transformation.

A 2023 Sapient Insights Group survey suggests HR remains in a strategic limbo. Despite owning the number one business issue, talent acquisition, only 46% of HR leaders say their function is viewed as contributing strategic value, roughly a third lower than other functions[6].

A third responsibility is *shifting adaptability away from individuals and into the organization itself*. When adaptability depends mainly on personal resilience, it becomes fragile and uneven. Sustainable agility calls for practical, structural alternatives. These include internal labor markets that allow skills to move without constant restructuring and enable people to build new capabilities through project work and role transitions.

Internal mobility remains strikingly limited. Research suggests that only 10–20% of vacancies are filled internally, while 47% of employees that leave work are due to lack of advancement opportunities[7]. Lateral movement is rarer still: according to SHRM, only 1% of U.S. employees move laterally across businesses in a given year.

Designing sustainable agility therefore requires structural alternatives, including learning that happens as part of everyday work rather than only after disruption, and clear decision rights, so people know who decides what, at which level, and what authority they have during periods of change. Together, these choices reduce the personal cost of change while strengthening the organization's ability to respond.

Finally, HR *must treat transparency as part of how the organization is designed*, not just as a communication exercise. Repeated shifts in direction tend to create anxiety not because change is happening, but because people are unsure what to expect and where they stand. Silence, on the other hand, allows uncertainty to grow and increases the risk of losing key talent.

From Concept to Practice

Applying sustainable agility in practice is less about new tools and more about visible shifts in behavior and decision-making, especially among leaders.

One clear signal is *how organizations handle competing change initiatives*. Some organizations now pause new initiatives until the impact of earlier ones has stabilized, using simple change dashboards to assess overlap, sequencing, and organizational capacity.

Another signal is *how internal mobility is used during periods of change*. This should be regarded as part of the core organizational infrastructure, not as a development perk. When people can move easily between roles and projects through internal talent marketplaces, organizations can adjust priorities without repeated restructuring.

A third signal is the way *uncertainty is handled*. Leaders communicate earlier, even when plans are incomplete, and are explicit about what remains stable.

Final Thoughts

The future of agility will not be defined by how quickly organizations can change, but by how thoughtfully they are designed to sustain change over time. Sustainable agility reframes adaptability as a strategic capability, not something that depends on people constantly pushing themselves. In this context, HR's role is no longer to help organizations move faster, but to help them make better choices about how they change. By making the human cost of change visible, managing the pace and build-up of transformation, and embedding adaptability into organizational systems, HR becomes central to building the future-ready organization.

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CHAPTER 46

This is Our Moment to Reinvent HR from the Ground Up

By Mike D'Ambrose and JR Keller

After more than four decades working in and around the HR function, I have seen multiple waves of change reshape organizations—globalization, reengineering, the rise of the internet, offshoring, and, most recently, hybrid work following a global crisis. Each of these shifts altered how work was done, often in profound ways. None of them, however, have led to a true reinvention of the HR function.

Artificial intelligence has provided us with this opportunity.

AI is not simply another tool or productivity enhancement. It provides a legitimate reason—perhaps for the first time in decades—to fundamentally reconsider how organizations manage, develop, and deploy human capability. This moment is not about technology replacing people, nor about incremental efficiency gains. It is about rethinking HR systems and processes that have not kept pace with the realities of modern work.

The timing matters. Boards are asking sharper questions about leadership depth and execution capability. CEOs are under pressure to deliver growth in increasingly complex and fast-moving environments. Employees are reassessing what they expect from work, leaders, and institutions. Against that backdrop, AI has arrived at precisely the moment when organizations are open—if not always comfortable—to challenging long-standing assumptions.

This is a rare window. It should not be wasted.

Where HR Actually Stands Today

A clear-eyed assessment of the current state of HR is required.

Across organizations, capability gaps are more visible—strategic thinking, adaptability, digital fluency, and AI literacy among them. Leaders must navigate technical environments while simultaneously preserving trust, judgment, and human connection. That combination is difficult, and the strain is evident.

Frustration with HR is widespread. CEOs often express disappointment that the function is not driving greater business impact. Managers experience HR processes as slow and overly procedural. Employees frequently view HR as distant, bureaucratic, or disconnected from the realities of their work.

This outcome was not intentional. Many of the systems that define HR today were created with good purpose—to ensure fairness, consistency, and legal compliance. Over time, however, those systems hardened. Process began to substitute for judgment. Risk avoidance overtook value creation. The pace of change in HR has become glacial compared to the tsunami of changes affecting the businesses we support.

Performance improvement plans illustrate the problem clearly. By the time a formal plan is initiated, the outcome is usually already known. Managers have concluded that performance will not improve. Employees, in turn, understand the process as a signal rather than a development tool. The result is months of documentation and meetings that exhaust managers, alienate employees, and consume organizational energy—only to arrive at a conclusion that was apparent from the start. The cost is paid not only by the individual, but in lost productivity, diminished trust, and cultural drag.

Annual performance reviews follow a similar pattern. Numeric ratings and forced distributions create the appearance of rigor, but they rarely improve performance or capability. More often, they provide cover for decisions already made and deflect accountability away from the quality of leadership conversations. Additional examples of frustrated HR initiatives are easy to find. Succession plans are developed but rarely executed. Engagement surveys capture sentiment too slowly to inform action. Development programs frequently fail to produce the sustained behavioral change required for meaningful performance improvement.

Most HR leaders recognize these limitations. What has been missing is not awareness, but a credible opportunity to redesign the function around outcomes rather than legacy processes.

AI provides that opportunity.

What AI Makes Possible for HR

AI is often framed in terms of automation and cost reduction. That view is incomplete and, in many cases, misleading. Used well, AI is a growth enabler. It expands access to information, reveals patterns previously invisible, and improves the quality of decision-making across the organization. It also improves the quality of the questions leaders can ask.

For decades, HR systems emphasized identifying and closing individual gaps. The underlying assumption has been that people succeed by becoming well-rounded through addressing their weaknesses. In practice, sustained success comes from the opposite approach. Individuals and teams perform best when strengths are understood, developed, and intentionally combined.

There is no perfect employee. Yet organizations continue to design roles as if such a person should exist, spending countless thousands of dollars searching for these “unicorns”. AI allows us to move beyond this fiction. It makes skills, experiences, and patterns of contribution visible in ways static job descriptions and resumes never could. With that visibility, organizations can intentionally design teams around the complementary strengths of existing employees and candidates rather than rigid roles for which perfect candidates are challenging, if not impossible, to find.

Learning and development can also be reimagined. Adults do not learn effectively through passive content consumption. They learn through application, reflection, and experience. AI-enabled simulations can recreate complex business scenarios—acquisitions, restructurings, crisis decisions, and difficult leadership moments—allowing leaders to practice judgment and decision-making under realistic conditions before consequences are real. This accelerates development in ways traditional learning programs cannot.

Culture, too, can be understood differently. Annual surveys provide delayed snapshots that are often outdated by the time results are shared. AI tools that analyze language, interaction patterns, and decision dynamics can offer near real-time insight into how work actually gets done—how people communicate, collaborate, and lead—enabling leaders to assess culture before issues calcify into deeper organizational problems. This does not replace leadership judgment; it informs it.

Taken together, these capabilities allow HR to move from a primarily defensive function to one that actively shapes organizational performance. AI does not reorganize companies. People do. But AI creates the conditions—and the credibility—for HR leaders to redesign systems that have resisted change for years.

How Change Actually Takes Hold

One of the most common mistakes in transformation efforts is attempting to change everything at once. Large, enterprise-wide initiatives require significant coordination, time, and political capital—often long before results are visible.

A more effective approach is disciplined experimentation.

Change begins with small, well-chosen pilots. Departments led by respected leaders facing real business problems—turnover, customer dissatisfaction, quality issues—are natural starting points. These leaders are motivated by outcomes, not theory.

The proposition is straightforward: try something different, use new data, reduce bureaucracy, and test alternative ways of working. The effort is contained. Progress is measured. Learning is explicit.

When experiments succeed, transformation spreads organically. Other leaders ask for the same tools and approaches—not because HR mandates them, but because the business demands them. This is how disciplined experimentation creates demand pull rather than HR-driven push.

Failure is part of the process. AI makes it possible to test, learn, and adjust more quickly and with less disruption than traditional rollouts. This not only improves outcomes, it accelerates leadership development by exposing high-potential talent to real, consequential decision-making earlier in their careers.

Courage matters. CEOs value leaders who are willing to take informed risks, learn from missteps, and institutionalize what works. Perfection is rarely the standard. Progress is.

A Measured View of the Future

AI expands what is possible, but it does not eliminate the need for judgment. Performance management does not improve unless leaders redesign it. Learning does not accelerate unless people experience it. Organizations do not change unless leaders choose to change them.

What makes this moment different is readiness. Expectations are shifting. Long-standing systems are being questioned. The appetite for meaningful change is real. The organizations that succeed will be those that combine technological insight with human judgment—where machines simplify complexity and surface insight, and people provide direction, empathy, and accountability.

This is not primarily about efficiency or cost reduction. It is about building organizations capable of sustained growth, leadership depth, and adaptability. AI is not replacing HR. It is raising expectations for what HR must deliver—and what it can deliver.

This is a genuine inflection point. Handled well, it offers the chance to rebuild the function so it meaningfully serves the business, its leaders, and its people. In practical terms, this moment demands clarity and resolve. And it requires an openness to reinvention and experimentation rather than incremental change.

> Are you willing to shift away from thinking about addressing weaknesses to leveraging strengths?
>
> Are you willing to ditch passive learning and instead invest in new ways to provide AI-enabled simulations that allow leaders to practice judgment in complex, real-world situations?
>
> Are you willing to do away with an annual survey in favor of AI-enabled real-time listening?

Your leaders, managers, and employees are more open to change than ever. So whatever it is, choose something that matters to your organization, fundamentally reimagine it, run a pilot, and then do it again and again until the HR function itself is something entirely new.

This is our moment—not to modernize HR, but to redefine it.

CHAPTER 47

Workforce Orchestration: HR's New Mandate in the Agentic Enterprise

By Rob Dicks

A defining leadership challenge of the AI era is not whether work can be automated, but how organizations can drive value and orchestrate the dynamic interplay between humans and intelligent agents. Artificial intelligence is reshaping how value is created, roles evolve, and skills are deployed. Yet many organizations continue to treat workforce decisions as episodic planning exercises rather than continuously optimized systems, leaving HR stuck in a transactional cycle, detached from strategic business outcomes.

As we progress through the early stages of the AI revolution, a widening gap between AI investment and realized value is becoming evident. The issue is less about technology and more about failure to redesign work, workforce, and worker models in an integrated way. The next three years are pivotal. HR must transition from a function focused on administration to one that senses, shapes, and steers the human–agentic workforce.

This chapter advances two imperatives:

1. HR must design and operate an always-on workforce intelligence dashboard that ingests business signals, informs workforce decisions, and measures impact.

2. HR leaders must build new skills, working styles, and strategic partnerships to drive business outcomes. HR leaders will succeed using this dashboard to advance their partnerships with business leaders.

From Planning to Orchestration—HR's Strategic Inflection Point

Many HR functions remain anchored in models built for predictability, compliance, and episodic interventions. But in a business environment increasingly shaped by AI, agility is the new operating norm. Work is no longer a static input to be planned annually; it is a dynamic system of interactions between people and agents, continuously adapting to signals from customers, markets, and machines.

To drive this degree of workforce orchestration, HR needs the capability to sense these signals, translate them into talent actions, and steer performance in real time. This is not a refinement of workforce planning—it is a fundamentally different role for HR. Where HR had focused on compliance, rules, and processes, orchestration focuses on speed, alignment, and outcomes.

Building the Dashboard—HR's Instrument of Orchestration

In the agentic enterprise, orchestrating performance requires visibility, responsiveness, and shared decision-making. Today, no such system exists at scale within most organizations. This is the opportunity, and the current gap, for HR to fill.

We are just beginning to see differentiation among our most forward-thinking HR clients. These leaders are driving their organizations forward by teaming HR and line of business executives together to rethink how "work" is delivered and then align the "workforce" and "workers" with these goals. To measure and monitor that transformation and deployment of human capital, these organizations are conceptualizing early models for real-time monitoring capabilities and building the muscles to drive business leaders to adopt and use the insights.

The dashboard should be built to sit alongside a company's HCM and ERP systems but operate in a way that ingests live business signals. When fully utilized, the dashboard will inform how work is delivered, how talent is deployed, and how capacity is aligned to outcomes.

Supporting proactive business decisions, the dashboard first pulls data from the ERP. This provides the capability to assess how Work is delivered and identify automation and agentification opportunities. For a recent client, we identified dozens of tasks in this insurer's claims operation that could be automated. The dashboard provided real-time insight to guide meetings between the HR business partner and the line of head of claims to align on the human/agent mix to deliver this work and develop a plan for the future Workforce for claims.

Next, the "Worker" section of the dashboard provided guidance for the HR team to assess the skills shift for the claims business. The dashboard pointed out that several of the skills the team had been recruiting for would shift to agents, but newly formed roles would require higher order skills to support deeper analysis of claims data. The HR team was able to leverage the visualization provided by the dashboard and the linkage to their LMS system to identify which employees could most rapidly develop those skills.

Working across the dashboard modules, the HR team has been able to drive more proactive business discussions, better align the workforce and shift to having more guided conversations to prepare individual employees for how work will be delivered in the future.

To drive success, HR must:

- **Architect** the structure and data model
- **Evangelize** its value to business leaders
- **Drive** cross-functional adoption and usage

The dashboard enables orchestration through two lenses:

1. **Work Delivery View** – Tracks how work is executed across human and agentic systems: efficiency, automation, exceptions, outcomes.

2. **Workforce & Worker View** – Tracks skills, capacity, collaboration, and engagement.

Its true power lies in becoming a shared, trusted fact base for workforce decisions—pulling financial information from the ERP, baseline workforce and skills data from the HCM, and leveraging AI to drive insight on business needs, talent opportunities, and development paths. Brought together, this data bridges business demand with talent supply in real time. When widely adopted, it becomes a mechanism for alignment and acceleration across functions and helps identify lateral and upward promotion paths as well as identify opportunities to deploy agents instead of relying on human labor.

Rebuilding HR to Deliver Orchestration

A new dashboard cannot run on an outdated function. Most HR structures are not built for orchestration—they are optimized for stability, compliance, and process execution. And many HR professionals are pulled toward transactional issues or immediate deadlines such as ensuring performance reviews, resolving leave questions, or answering policy queries rather than spending time helping business leaders solve forward-looking talent challenges.

To operate as orchestrators, HR must undergo a foundational shift in both structure and capability. This means building a function that operates more like a dynamic system integrator.

Four interlocking components form the new HR operating model:

1. **Workforce Analytics, Intelligence & Design Team, supporting HR Leadership** – Owns analytics and the dashboard, interprets signals, models scenarios, and aligns workforce strategy to business performance.

2. **Work Analysis Team** – Deployed across functions, this new HR team operates with "work" automation experts to identify and target better ways to deliver "work" to free capacity and deliver reliable, real-time execution.

3. **Worker Enablement Layer** – Focuses on human "worker" adaptability and the typical HR specialty areas: talent acquisition, learning, leadership, and change readiness, aligned to evolving "work" and ensuring the "workforce" has the right employees and skills necessary to fulfill the human roles delivering work.

4. **Strategic HR Partners** – Embedded in the business, these are not policy translators—they are advisors who team with business leaders to set "workforce" direction and enable execution as "work" evolves.

But structure alone is not enough. HR professionals must build capability in areas like data interpretation, systems thinking, and business acumen. Supporting business leaders in deploying the right talent with the right support—not just ensuring compliance tasks are met—will define the next generation of high-performing HR teams.

HR Must Engage in Its Own Transformation

To drive transformation across the enterprise, HR must engage in a similar process itself.

Applying the orchestration model to HR means automating administrative work, redefining HR roles around data and impact, and creating internal dashboards to track HR's performance. This sends a powerful message and demonstrates HR's commitment to change and adoption of AI and agentic capabilities. It also shows how skills support improved value delivery.

First, HR must simplify itself. Agentic HR capabilities such as automated employee support, AI-enabled policy delivery, transaction processing, and compliance workflows can remove friction and free capacity. When embedded into the operating model, these competences reduce human effort in core HR activities by 40–50%, creating space for higher-value work.

As this capacity is created, Strategic HR business partners must evolve. Their role is no longer to advise on policy or facilitate annual planning cycles. It is to **partner with leaders on workforce decisions that affect performance**: human–agent ratios, skill investments, deployment strategies, and incentive design. They must be fluent in business economics, workforce analytics, workflow design, and change leadership. They must understand how agentic work happens—not in theory, but in practice—so they can interpret dashboard signals and intervene effectively.

Most importantly, HR becomes accountable for **workforce outcomes**:

- Is the right work being done by the right mix of humans and agents?
- Are skills evolving fast enough to sustain the operating model?
- Are workforce decisions improving productivity, quality, and resilience—or eroding them?

By evolving its own practices, HR strengthens its credibility and becomes a more effective advisor to the business. The internal transformation also creates hands-on experience with orchestration and accelerating HR's ability to guide the wider organization through change.

Key to this process is not just shrinking HR – yes, if the goal is to deliver the same amount of work, HR can deliver that goal with fewer people and more agents – but to better serve the business and optimize HR spend to business results. As HR evaluates redeploying capacity, proving additional spend is generating additional value is an imperative.

Call-Out Box: What Changes on Monday Morning

For the CHRO

- Stop: episodic workforce planning; reactive service management

- Start: weekly intelligence reviews; capacity-based talent framing
- Change: success = workforce system enables business outcomes

For HR Business Partners

- Stop: being policy interpreters
- Start: using dashboard to anticipate and advise
- Change: credibility = decision quality, not ownership

For HR Overall

- Stop: tracking activity metrics
- Start: operating a closed-loop system—sense, advise, act, measure, recalibrate

For Business Leaders

- Stop: treating workforce as downstream
- Start: using real-time delivery insights
- Change: talent becomes a performance lever

Conclusion: Orchestration as the Next Frontier for HR

In the agentic enterprise, agility, visibility, and coordination will increasingly determine performance. HR's traditional role as a support function must evolve into one that is integrated with, and actively driving, enterprise strategy.

Workforce orchestration demands a fundamental change (or evolution) in how HR thinks, acts, and partners with the business. The dashboard equips HR with the insight to guide decisions and provide real-time, ongoing business advice. As HR transforms itself, the function can demonstrate how the operating model ensures responsiveness and alignment. When these capabilities are demonstrated internally, HR builds the trust and influence needed to lead transformation across the enterprise.

This chapter offers a starting point for HR leaders to reimagine their function—not just in terms of structure or tools, but in how they show up as stewards of enterprise capacity.

In the age of intelligent agents, orchestrating talent will be one of the most critical differentiators of enterprise success. HR is positioned to lead that change, while doing so credibly by beginning with itself.

CHAPTER 48

The Future of Workforce Governance in the Age of AI: Three Ways to Manage—and Upgrade—Your HR Ecosystem

By Scott Snell and Shad Morris

Executives have long been charged with bringing order to organizations. Alignment—pursuing coordinated action, integrated processes, and mutually reinforcing systems—has traditionally been the hallmark of effective leadership (Brymer et al., 2014; Delery & Roumpi, 2017; Ployhart & Moliterno, 2011). For decades, this logic worked. Firms operated in relatively stable environments, employment relationships were bounded by organizational walls, and efficiency-driven HR systems delivered predictable returns.

That world no longer exists. Work today operates in ecosystems that are distributed, project-based, digitally mediated, and deeply interdependent across organizations (Snell, Morris, & Serre, 2022; Ulrich, 2024). Workforce ecosystems therefore describe environments where firms manage workers and technologies they don't own, and own workers and technologies they don't directly manage (Swart, Cross, Kinnie & Snell, 2022). Increasingly, the historical separation between people and machines in work (think computers, cars, and cameras) is mediated by AI-enabled systems that coordinate, recommend, and automate decisions, shaping outcomes in real time. While most of these systems remain human-in-the-loop rather than fully autonomous, their scale and speed fundamentally alter how work is governed.

In this environment, alignment alone is not merely insufficient—it can be dangerous. Over-optimized organizations become brittle. They struggle to respond to shocks, technological shifts, and emergent opportunities. Yet adaptability without coherence produces fragmentation, redundancy, and drift. A central challenge facing leaders today is how to achieve adaptability and alignment simultaneously.

Such alignment and adaptability require a more subtle 'governance' of work rather than overt management. Drawing on workforce ecosystems and strategic HR governance research (Snell, Swart, Morris, & Boon, 2023; Altman et al., 2023), and on documented organizational use of AI in HR and workforce navigation, this chapter argues that the future of workforce governance lies in deliberately designing and governing HR ecosystems. To navigate the adapt/align paradox requires a focus on three factors: (1) workforce composition, (2) strategic capability, (3) organizational culture—and on the specific conditions under which AI reshapes each one.

The Adaptability–Alignment Paradox

Organizations that thrive today embed adaptability and alignment together. For example, Collins and Kehoe (2017) found that some types of HR systems promote disruption of ideas and practices within an organization, while other systems foster alignment. Patel, Messersmith, and Lepak (2013) showed how high-performance work systems (HPWS) can cultivate contextual ambidexterity—allowing organizations to adapt while maintaining clear performance expectations and accountability.

Netflix illustrates how organizations can navigate the adapt/align paradox without relying on formal control. Rather than managing through rules, approvals, or tightly specified roles, Netflix combined extreme autonomy with strong contextual alignment. Employees are expected to make consequential decisions independently—including hiring, spending, and content investments—while alignment is maintained through unusually high transparency, shared access to strategic memos, open debate ("farming for dissent"), and a clearly articulated cultural framework built around "freedom and responsibility" and "context, not control." This governance model enabled rapid experimentation and repeated strategic pivots—such as the shift from DVDs to streaming and from licensing to original content—without fragmenting around competing agendas, producing what CEO Reed Hastings described as a system that was "highly aligned and loosely coupled" (Gulati, Ciechanover & Huizinga, 2019: 4). The sections that follow therefore focus less on "managing" the paradox and more on how leaders can navigate it through ecosystem governance.

Workforce Composition: Expanding the Core with AI as Integrator

Workforce composition answers a deceptively simple question: who is doing the work? For much of the past century, strategically important work was internalized among core employees, while peripheral work was outsourced. Employment status mapped neatly onto value creation. That logic has collapsed.

Today, critical work is not only performed by people the firm does not employ, but also by AI-enabled systems that the firm may or may not own. Innovation happens in consortia where the boundary between human and digital contributors is porous. Product development spans digital and human partners. Talent marketplaces blur firm boundaries. In this context, AI functions less as a replacement for people and more as an integrator that helps organizations see, access, and coordinate work across boundaries.

AI-enabled recruiting and talent-matching platforms such as Workday, HiredScore, Gloat, and Eightfold AI allow organizations to surface skills wherever they reside and deploy them dynamically to projects. At AdventHealth, for example, Workday's Fetch AI helped the organization rediscover qualified former applicants, resulting in a doubling of filled requisitions and significantly higher offer acceptance rates. What once depended on institutional memory now occurs algorithmically, at scale, by a robot who can learn from past mistakes.

Vodafone's global adoption of Eightfold AI illustrates the same shift. By mapping employee skills, aspirations, and learning pathways, Vodafone reduced time-to-hire by roughly half, cut recruiting costs dramatically, and increased internal mobility across business units. More importantly, it expanded the strategic core of the workforce without expanding headcount of people.

These tools do more than improve efficiency. They change governance. Managers no longer rely exclusively on static job descriptions or hierarchical authority. Instead, they frame problems and allow AI-enabled networks—internal and external—to accomplish the work.

Strategic Capability: Let Variation Flourish—and use AI to Cull and Scale

Capabilities reflect what an organization can do well. In ecosystems, capabilities emerge less from centralized design and more from distributed experimentation. Autonomy is essential. Without it, ecosystems stagnate. But autonomy without discipline (navigating the adapt and align paradox) quickly devolves into noise. The most effective organizations balance autonomy with mutual accountability (another paradox to navigate)—where teams are free to experiment but remain accountable for results.

AI strengthens this balance in two ways. First, it expands the range of experimentation. AI-powered learning platforms, internal talent marketplaces, and feedback systems lower the cost of trying new approaches. Employees and ecosystem partners can explore adjacent opportunities without waiting for permission.

Second, AI strengthens renewal. One of the hardest leadership tasks is killing bad ideas fast enough to free resources for better ones. Platforms such as Lattice AI and Visier integrate workforce, performance, and collaboration data to identify which initiatives are gaining traction and which are stalling.

At Boston Scientific, for example, AI-enabled talent analytics helps leaders identify emerging capability clusters and redeploy people across projects, increasing application conversion rates and strengthening strategic capabilities without formal reorganizations. In effect, AI supports both variation and selection—the twin engines of adaptation.

Organizational Culture: Anchoring Subcultures without Smothering Them

Culture helps explain why people do what they do when no one is watching. In ecosystems, culture is never singular. Subcultures emerge around professions, geographies, platforms, and technologies. Trying to eliminate subcultures is futile. The real risk is fragmentation without shared purpose.

AI increasingly plays a relational and transformational role here. Tools that support continuous feedback, sentiment analysis, and AI-enabled coaching help leaders see cultural patterns across dispersed teams. At Mercedes-AMG PETRONAS Formula One, AI-enabled coaching contributed to measurable improvements in performance and employee wellbeing. It did this by using a tool known as BetterUp that uses employee inputs (assessments, goals, topic choices, reflections) to recommend focus areas and content and to tailor the coaching experience, not only for internal employees but also for contractors and temp workers.

At T-Mobile, AI-assisted language tools, like Textio, helped remove bias from job postings, expanding the diversity of applicant pools. Still, culture cannot be automated. Such tools can help analyze job posts for the company and its partner companies to ensure bias is eliminated and that the purpose and culture across organizations are aligned. Being trained on large datasets across multiple companies, Textio is able to predict the likely impact of language choices for job posts across a common set of companies within the ecosystem.

Governing the Ecosystem

Effective workforce governance is shared work. Senior leaders set purpose, strategic intent, and the guardrails for action. Line managers act as orchestrators—connecting people, coordinating across boundaries, and removing friction rather than supervising tasks. HR's role is to build the enabling architecture: the data systems, platforms, and policies that allow workforce ecosystems to function at scale.

AI is becoming a central element of that architecture. When used well, it can increase transparency, reduce bias, and strengthen trust in governance decisions. Syndio's pay-equity analytics, for example, helped Salesforce maintain pay equity while scaling rapidly, shifting equity from a periodic audit to a continuous governance capability. AI-enabled learning platforms such as Docebo similarly personalize development at scale while lowering coordination costs and supporting capability growth across dispersed contributors.

But AI does not resolve the tension between adaptability and alignment—it intensifies it. By accelerating experimentation and participation, AI increases variation; by making governance decisions more visible and consequential, it raises the cost of misalignment. Used well, AI becomes a coherence mechanism that helps organizations hold together increasingly complex workforce ecosystems. Used poorly, it amplifies fragmentation, erodes trust, and institutionalizes bias at scale.

The future of workforce governance will not be built around a single employment model or a monolithic HR system. It will be built around ecosystems—and increasingly, around AI-enabled governance of those ecosystems. That future has already arrived.

The remaining question is whether business and HR leaders will govern these ecosystems deliberately, using AI to support adaptability without losing alignment—or whether they will let unmanaged AI and organizational entropy do the governing for them.

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CHAPTER 49

Keeping HR Strategic in a World of Scrutiny

By Amy Dufrane and Clarissa A. Peterson

The Dog That Caught the Mailman

The case for HR as a strategic function has largely been won. In many organizations, HR leaders sit closer to the business than they did a decade ago, and the work touches revenue, risk, reputation, and execution. It's time to retire the phrase, "Getting HR a seat at the table." We're here, we're contributing, and we are planning to stay.

But the win came with a trade: more influence, but less margin for error. HR is now expected to help hold organizations together through faster change, thinner budgets, and louder scrutiny. The profession doesn't get to claim strategy while operating like support.

So, if our last era was about earning a seat at the table, this era is about proving—repeatedly—that HR deserves to keep it.

The Imperative of Continuous Differentiation

A term that has guided my HR career—and is more relevant now than ever—is an acronym: **BLUF**, meaning *Bottom Line, Up Front*. So, let's get straight to the point.

The bottom line is this: the time for HR is now.

The work of this profession is critical at this moment. We are operating in a period of rapid change, accelerating technological innovation, and real uncertainty. What remains constant is the need to integrate the uniquely human with the increasingly technological—using technology as a tool, not a replacement, to support human judgment, connection, and performance.

This moment requires HR to move beyond transactional execution and toward sustained strategic impact. That shift requires clarity of purpose, fluency in the business, and the courage to lead.

This is where **continuous differentiation** comes in. At its core, continuous differentiation is about sustaining relevance through consistent, incremental action—anchored to the organization's "why" and to the people who bring that purpose to life. It is less about dramatic reinvention and more about disciplined evolution as the organization and its environment change.

For HR professionals, continuous differentiation has four essential components:

1. **Know your client.** Speak the language of your respective business. Understand the organization's purpose, strategy, and competitive landscape, including the opportunities and threats in the markets it serves.
2. **Focus on your client.** Translate client priorities into the intersection of organizational strategy and the employee experience—where business outcomes, culture, and human impact meet.
3. **Deliver intentional value**. Create relevant, consistent, and focused interactions. Each encounter—no matter how small—contributes to trust, reputation, and relevance. Don't forget, everyone you interact with is a client—whether they are your leader, a peer, or a partner across the organization. How you show up, listen, and add value each day is how HR continuously differentiates itself.
4. **Exercise ethical judgment.** Artificial intelligence will change how work happens, but it will not determine what's right or what matters most. That responsibility—and that opportunity—rests with all HR professionals.

Certification as a Success Enabler

Certification and a commitment to continuous learning can help reduce escalations and perceived "fire drills," and best of all, can create a professional reputation for sound judgment.

Consider this example:

Perhaps an HRBP is asked to "clean up" a messy employee relations situation: a manager wants to terminate someone quickly after months of vague complaints and inconsistent documentation. The pressure is to make the problem "disappear."

A certified HR professional is more likely to slow the moment down just enough to protect everyone involved. They translate frustration into standards ("What policy was violated? What expectations were communicated? What documentation exists?") and separate performance management from punishment, laying out options that match risk tolerance. Maybe coaching and a performance plan are appropriate, or maybe it's the case that a final warning or termination can actually be defended.

What's more, a certified professional may be more likely to be involved in these conversations to begin with. Certification research consistently points in the same direction: credentialed HR professionals report increased access to stretch assignments and roles that require new skills, or an ability to meet challenges with a clear head.

That's not only because employers admire the letters. It's because certification tends to correlate with a discipline of preparation. People who maintain credentials usually learn more intentionally, stay sharper on fundamentals, and adapt faster.

One other point is worth saying plainly: self-development is often underfunded. Some organizations support it well; many don't. Waiting for perfect support is a bad strategy. In a profession where change is constant, you either run your own development plan or accept that someone else will define your ceiling.

Man + Machine: To Infinity, and Beyond

Technology is changing HR, but the bigger shift is that technology is changing work itself. Jobs are being decomposed into tasks. Tasks are being reassigned—to software, to shared services, to managers, to employees, and to vendors. Accountability shifts with it.

For example: A talent acquisition leader rolls out an AI tool that ranks applicants and produces a shortlist. Time-to-fill improves immediately, and managers start asking for the "top five" the same way they ask for a sales report.

A month later, recruiters notice the shortlists are getting narrower—same schools, same companies, same career paths—and managers have stopped doing much independent evaluation because the tool feels authoritative. The first real problem shows up when a candidate asks why they were rejected and nobody can provide a clear, job-related explanation that doesn't sound like "the system said so."

The HR move that matters here isn't banning the tool; it's setting decision rules and auditing: the system can recommend, humans decide, and someone reviews outcomes routinely for pattern and impact. That shift creates new HR work that didn't exist before, including:

- Redesigning roles and workflows after automation changes the task mix
- Setting governance for tech-driven decisions (what's automated, what's reviewed, what's auditable)
- Managing the human outcomes of faster change: trust, fairness, fatigue, backlash

But fear not: "Future-proofing" doesn't mean that HR professionals now need full technical expertise. This moment is a fantastic opportunity to practice working strategically when systems get complicated and consequences appear faster.

Concrete questions separate HR leaders who add strategic value from those who get sidelined. What decisions are being delegated to tools, and who is accountable when they're wrong? What data is being used? What bias or blind spots does it carry? What is the employee's lived experience of these changes? Where will trust break first? Because these are organizational risk questions, they are also HR questions.

Consider a well-meaning HRBP under pressure to move fast on a policy update: remote work guidelines, discipline steps, leave administration, pick your topic. They use GenAI to draft a clean, professional-looking document, circulate it quickly, and feel like they've kept pace.

Then the questions start: the new language contradicts an older policy, the definitions aren't consistent, and the draft quietly assumes legal norms that don't hold across every location where the company operates. Employees spot ambiguities right away, and trust takes a hit because it looks like HR didn't do its homework.

Rather than pivoting to, "don't use AI," the fix can create a standard: if AI helps draft, the organization still needs a review checklist that catches contradictions, triggers legal sign-off where necessary, and stress-tests context and clarity before anything goes live. HR has always been a mixed discipline: technical work, human work, and political work. The challenge now is keeping all three strong at the same time.

Crafting the Quilt: Integrating Courage, Competence and Certification

I spent many summer vacations visiting my grandma, Annie. She grew up during the Great Depression, and resourcefulness was part of her daily life. Nothing was wasted. Long before words like *reimagining* or *upcycling* existed, she practiced them out of necessity.

During those visits, we made bed quilts together. There were no quilting kits or patterns. We worked with what was available, fabric from clothes that no longer fit, stained napkins, items that had served another purpose. Each came from somewhere else and carried its own history. By stitching them together, we created something useful, durable, and amazing.

I often think about the HR profession in the same way. Many HR roles began with clear, specific purposes. Over time, those purposes have changed as the nature of work has evolved. What once existed in separate pieces is now more interconnected. Each role—and each professional—brings unique experience, perspective, and strengths to that work, much like the individual pieces of fabric in a quilt. Unlike fabric, however, HR professionals are not passive in this process. We have the ability, and the responsibility, to decide how our distinct contributions come together and how our work evolves over time.

Preparing for what comes next requires intention. It means continuing to learn, pursuing HR certification, investing in professional development, and building deep business knowledge. Each HR professional contributes something unique, and learning enhances their contributions. *Curiosity is essential.* It helps HR understand what's really going on, ask better questions, and connect people's day-to-day experiences to the organization's broader goals.

Courage is critical. Too often, HR waits to be invited into conversations. It is time to stop waiting. Participation does not require invitation, disruption, or bravado. It requires judgment—knowing when to speak up, how to engage, and when to bring insight forward.

In the same way my grandmother chose how each piece of fabric fit into the quilt, HR makes daily choices about how its work comes together. This is how HR increases its impact: by balancing people, strategy, and technology, and by showing up where judgment is needed.

CHAPTER 50

Purposeful HR: Lessons from a Yuzu Chiffon Cake

By Peck Kem Low

At first glance, a Yuzu Chiffon Cake and the work of HR leadership seem worlds apart. One belongs in the kitchen; the other sits at the intersection of organizational strategy, workforce transformation, and competitiveness. Yet, those who understand leadership know that most profound insights emerge from the simplest human gestures. A chiffon cake – light, resilient, uplifting – is a metaphor for the purposeful, future-oriented HR required in a changing world.

Separating the Eggs: Seeing the World with Clarity

Every chiffon cake begins with a counterintuitive but essential step: separating the egg yolks from the whites. This separation is not merely technical- it defines the structure of what is to come. Similarly, HR must begin with clarity about the world we are entering.

Longer lifespans, multi-stage careers, technological acceleration, demographic shifts, and evolving worker expectations are reshaping the foundations of work. The old model- front-loaded education, a linear career, and a short retirement no longer holds.

To lead in this landscape, HR must intentionally separate:

- What must be preserved-values, purpose, trust, dignity
- What must be reimagined careers, learning pathways, performance models
- What must be let go-legacy systems that no longer serve the future

Beating the egg whites into a soft, stable meringue transforms them into something with lift and structure. It is a reminder that rising is deliberate, not accidental. HR too must intentionally build systems that enable people to rise across longer working lives.

Adding the Yuzu: Refreshing HR's Identity

Yuzu zest gives a chiffon cake fragrance and character. It cuts through heaviness and brings brightness. Likewise, HR must refresh its identity; not from HR's perspective, but for its stakeholders. HR cannot be defined by its administrative roots. It must step forward as:

- The architect of human potential
- The steward of purpose
- The designer of environments where people thrive

Transformation should not be overwhelming. Like Yuzu, it should feel revitalizing-bringing clarity, energy, and uplift to the workforce and the organization.

HR's value extends to:

- The business-through capability architecture and workforce strategy
- Employees-through trust, inclusion, and learning opportunities
- Customers-through service and innovation delivered by engaged employees
- The HR profession-through raising standards and mentoring future leaders

The addition of Yuzu reminds HR that even the smallest shifts-mindset, identity, approach-can refresh the entire organization.

Whisking and Folding: Integrating Purpose, People, and Policy

Whisking and folding ingredients in a chiffon cake require consistency, patience, and balance. Too much agitation and the structure collapses; too little and the cake lacks depth. This mirrors HR's most delicate work: integrating purpose, people, and policy.

HR is often torn between competing demands-being too people-centric, too policy-driven, or too aligned to business interests. Yet as Lee Kuan Yew once observed, Singapore's success did not come from being purely pro-people or pro-business, but from being pro-future.

This is the principle that purposeful HR must embrace. To be pro-future, HR must:

- Understand deeply what the organization exists to do
- Integrate workforce strategies with business purpose
- Exercise governance with humility
- Develop leaders who are soft-hearted, but not soft-headed

Like emulsification, this integration requires continuous attention. When purpose and policy drift apart, trust dissolves and cynicism grows. Purposeful HR avoids gestures and instead focuses on the disciplined alignment that allows organizations and people to rise together.

Beating the Egg Whites: Trust, Mobility, and Stewardship

Meringue is unforgiving. Over-beaten, it becomes brittle; under-beaten, it collapses. The baker must respond to subtle cues, not rigid instructions. Trust is exactly the same.

One provocative idea in the evolving HR landscape is the reframing of loyalty. In a world defined by mobility, is loyalty truly measured by tenure-or by contribution, growth, and even the willingness to return stronger?

The Singapore Public Service provides a compelling model: choosing stewardship over ownership. Officers move across agencies, sectors, and geographies, gaining perspective and returning as stronger contributors.

Purposeful HR designs for this kind of mobility by creating:

- Internal talent marketplaces
- Skills-based frameworks
- Portable learning credentials
- Alumni networks
- Systems for monitoring progression and supporting learning challenges

Trust is not created through control. It is created through **confidence in systems**, fairness in practices, and predictability in experiences.

The Ungreased Tin: Designing Systems that Let People Rise

A chiffon tin is never greased. The batter must cling to the sides to rise. This principle feels counterintuitive, yet it is fundamental. The same is true for people and organizations.

HR's work is not to remove all constraints, but to design productive tension-systems that support growth through:

- Clear expectations
- Honest feedback
- Structural equity
- Psychological safety
- Stretch opportunities
- Flexibility for diverse life stages

When constraints are purposeful, people feel clarity rather than limitation. They gain confidence rather than compliance. This becomes even more critical as Al reshapes work. The important question is not whether Al will replace humans, but whether humans will continue to do what only humans can:

- Make sense of complexity
- Build trust
- Exercise judgment
- Imagine possibilities beyond data

HR must redesign work from substitution to symbiosis, enabling a future defined not by "human vs. machine" but by "human through the machine."

Inverting the Cake: Ensuring Systems Endure

The moment a chiffon cake leaves the oven, it must be inverted immediately to retain its structure. Without this, it collapses. This inversion represents HR's responsibility to ensure that systems-no matter how well designed-endure and remain truthful.

Purposeful HR requires:

- The courage to turn familiar assumptions upside down
- The discipline to transform early, not react late
- The commitment to align policies with evolving business models and social norms
- The integrity to prioritize sustainable performance over short-term metrics

Organizations are not built for a single cycle. They exist within communities, economies, and societies.HR shapes not only performance but relationships, trust, and societal contribution.

Building New Muscles: Strategy, Design, Data, and Humanity

To perfect a chiffon cake, the baker must continuously refine technique- experiment, collect data, and adjust. HR must do the same by building new, enduring capabilities:

- Digital and analytical fluency
- Systems thinking and organizational design
- Human-centered leadership grounded in empathy and judgment
- Mastery of both high-tech and high-touch approaches

The late *Liu Thai Ker, Singapore's Master Planner*, famously said:

"To build a city, one must have the heart of the humanist, the mind of a scientist, and the eye of an artist."

Conclusion: HR as the Architect of Human Possibility

We are entering a world where people live longer, work across multiple careers, and learn continuously. In this world, HR is no longer merely a department-it is the **architect of human possibility.**

A Yuzu Chiffon Cake teaches us that:

- Intentional separation brings clarity
- Small additions can transform identity
- Integration requires discipline
- Trust must be carefully crafted
- Systems must provide lift, not weight
- Endurance depends on integrity
- Mastery comes from continuous learning

Above all, it teaches us that **rising is both an art and a discipline.**

And like the sweetest slice of chiffon cake-the one given away-HR's greatest satisfaction comes from enabling others to rise, thrive, and contribute far beyond what they imagined possible.

CHAPTER 51

Executive Pay as a Powerful Form of Communication

By Charles G. Tharp

Many human resource practitioners have broad experience in various aspects of HR but have not had a role in the executive compensation function. Executive compensation can be an intimidating area given the direct engagement of the board in pay decisions for senior officers, the complexity of the disclosure and tax rules, and public scrutiny of CEO and senior executive pay. The purpose of this chapter is to demystify the "what, why and how" of executive compensation.

Compensation is a key aspect of the value proposition companies offer to employees. The design and communication of compensation is shaped by three key decisions companies must make when structuring pay:

1. What is the market and where does the company want to position pay in relation to prevailing rates of pay in the market *(Pay versus Whom)*?

2. What will be the composition of the pay package offered to employees and how do these forms of pay vary by the level of the employee, executive versus non-executive, and job role *(Pay in What Form)*?

3. What factors determine the specific level of pay provided to individuals or groups of employees? This addresses the question of how pay will vary with various compensable factors such as performance, tenure or skills *(Pay for What)*?

Each of these decisions communicates to employees, and prospective employees, the pay culture of the company and aids in the attraction, retention, and motivation of the workforce. For the bulk of the workforce this communication is relatively straightforward given that the labor market is generally local or regional, the forms of pay are wages and benefits, and the performance expectations are generally narrowly scripted in the form of a position description and the range of employee decision-making is limited. However, the forms of pay and the process for structuring the pay arrangements for executives is significantly more complex due to a variety of influences.

At the executive level, the board of directors, serving in their capacity as fiduciaries for shareholders, determine the compensation for the senior-most executives of the company and are faced with making the same three decisions that organizations make for any employee –

pay versus whom, pay in what form, pay for what – and for publicly-traded companies the details of these three decisions, and the process the board used to make such decisions, must be disclosed annually in the proxy statement provided to shareholders and filed with the Securities and Exchange Commission. There are a variety of stakeholders for whom the board's decisions regarding executive pay are a matter of focus, and there are differing views as to what constitutes an appropriate approach to executive compensation. It is the multi-stakeholder view of pay that makes the design and communication of executive pay a significant challenge for organizations and, if not done with care, may expose the company and board to reputational harm. Key stakeholders with an interest in executive compensation include executives, shareholders, regulators, and other influencers such as advisors to institutional investors (proxy advisory firms), social advocates, and critics of pay. For the human resources function the development of the executive compensation program and the pay actions for senior executives requires a thoughtful approach to each of the three questions to ensure alignment with the business strategy and talent needs of the company while balancing the perspectives of the various stakeholders.

Executive compensation is a powerful form of communication to a variety of stakeholders and for each of the three decisions that inform the structure of executive pay it is important to be intentional about the message each aspect of pay sends to stakeholders. The primary source of information available to external stakeholders is the pay disclosure in the Compensation Discussion and Analysis section of the annual proxy statement. The following is an example of the typical executive pay communication contained in the CD&A and the signal the company intends to send to each key stakeholder group.

Company CD&A Disclosure	Intended Stakeholder Perception
Pay versus Whom? The company targets the median pay of industry competitors of similar size, complexity and image as well as companies with whom we compete for talent (termed "compensation peer group companies). Many companies also disclose a separate "performance peer group" against which the company measures relative performance. The intended communication is that pay and performance comparisons are based on companies that represent industry competitors for both customers, investors and talent. The compensation committee of the board annually solicits input from its independent consultant regarding reasonable and appropriate comparisons and adjusts the peer group(s) as needed.	**Executives**: Pay is competitive, and the peer group is a good measure of the market for talent. **Shareholders**: For both pay comparisons and relative performance the peer group(s) are consistent with investor views of the appropriate peer companies. **Regulators**: The disclosure of peers and the decision process is in plain English, is thorough and easy to understand. **Other Influencers**: The selection of peer companies is based on reasonable criteria that do not bias the market in favor of larger companies, given that pay tends to vary by company size with large companies paying more. The targeted market position is not overly aggressive in view of the recent performance of the company, and the level of pay is not excessive.

Company CD&A Disclosure	Intended Stakeholder Perception
Pay in What Form? The company has a pay-for-performance philosophy that guides board decisions regarding pay. The executive pay package is comprised of fixed salary, short-term incentives, and long-term incentives. The mix of pay is disproportionately weighted toward long-term pay, and the form of long-term incentives are in the form of stock to align the interests of management and shareholders. Salary is the smallest component of pay and short-term incentives have a maximum payout expressed as a multiple of targeted payout. The mix of pay has a bias toward long-term incentives, and executives are required to hold a portion of pay received to better align with shareholders, to help mitigate risk, and the company has a clawback to ensure pay is adjusted in the event of restated financials. The company provides a modest but competitive level of perquisites intended to provide personal security for executives, an annual physical and financial planning support.	**Executives**: The mix of pay is competitive and consistent with the pay-for-performance philosophy of the company. The elements of pay provide an attractive level of current cash and the opportunity for long-term wealth creation. **Shareholders**: The mix of pay guards against short-termism and is a reasonable balance of focus on annual performance and sustained long-term return to shareholders. **Regulators**: The mix of compensation helps to mitigate excessive risk, and the elements of pay and the rationale for the mix of compensation are clearly disclosed. The clawback provision in the event of a financial restatement is compliant with SEC regulations and the risk mitigation features of the pay package are consistent with safeguarding shareholder interests. **Other Influencers**: The mix of pay is competitive and non-performance elements of pay (such as salary and perquisites) are not excessive. The disproportionate weighting of long-term equity compensation is a helpful guard against manipulation of financial performance to increase short-term gains.

Company CD&A Disclosure	Intended Stakeholder Perception
Pay for What? Performance metrics align with business strategy, have sufficient stretch for achieving targeted objectives and represent a mix of financial and strategic objectives. Long-term incentives reward relative total shareholder return versus peers and create alignment of the interests of management and shareholders. Annual incentives are based on multiple financial metrics to help mitigate risk. There is a reasonable proportionality between performance and pay. To better align performance with actions management can influence, non-GAAP metrics are used for incentives.	**Executives**: There is an understanding of how pay varies with performance and how the actions of management can influence performance. **Shareholders**: The focus on creating sustained returns to shareholders and mitigation of risk are favorable attributes of the incentive metrics. While investors consider the use of non-GAAP metrics as appropriate, care must be taken to ensure adjustments to reported financials do not advantage executives at the expense of shareholders. **Regulators**: The incentive metrics are clearly disclosed, and the proxy contains a reconciliation of non-GAAP and GAAP financial metrics. **Other Influencers**: Caution is warranted in the use of non-GAAP metrics, and it is important that the disclosure provide support that incentive objectives are sufficiently rigorous.

Concluding Thoughts

The human resources function has an important role in assuring that compensation programs are competitive, well understood by employees and reinforce the desired performance and employee behaviors. At the executive level, the need to balance the competitive and performance obj3ectives of executive pay with the perception of pay in the eyes of various stakeholders is a critical aspect of designing and communicating an effective compensation program. The transparency of executive compensation in publicly traded companies and the expectations of multiple stakeholders increases the importance of clearly communicating the "what, why, and how" of the company's approach to executive pay. The HR function is a key resource to the board in ensuring that the pay disclosure is both compliant with regulatory requirements and tells a compelling story of how the company's executive compensation philosophy, processes, and practices support sustained value creation for shareholders.

CHAPTER 52

How to Support Return-to-Office Transitions

By Wayne F. Cascio

As millions of employees and managers worked remotely during the pandemic, workplace culture changed significantly, driving a desire for more flexible work arrangements post-pandemic. About 75 percent of companies now support various forms of hybrid work, meaning managers often oversee workers both in and out of the office (Cascio, 2026). While there are clear advantages to working in the office (Cappelli & Nehmeh, 2025a, 2025b), many organizations are seeking to find the right balance among on-site, hybrid, and remote work options. They want employees to spend enough time in the office to interact naturally with coworkers, brainstorm as a team, and gain exposure to senior leaders. At the same time, they would like to offer enough flexibility to attract individuals who prefer not to commute five days a week (Gratton, 2024).

Hybrid work arrangements and demands for greater flexibility are here to stay. While jobs in technology, marketing, finance, creative fields, and administrative roles are well-suited to hybrid work, even frontline workers, such as those in manufacturing and healthcare, desire increased flexibility in their work assignments, collaboration, and work hours. They want control and stability in their schedules, along with paid leave (McRae et al., 2023). According to McKinsey's research across eight countries, involving 800 jobs and 2,000 tasks, 20 to 25 percent of workforces in advanced economies could work from home three to five days a week (McKinsey & Co., 2023). It's not just those in non-supervisory roles. Nearly 50 percent of midlevel and senior executives prefer hybrid work arrangements, and almost half of senior managers say they would take a pay cut to work from home (Chaker, 2023; Francis, 2025). In the United Kingdom, Singapore, and Australia, legal frameworks allow employees to request flexible work arrangements, including flexible working hours, place, and workload (Lim, 2024).

Return-to-office (RTO) transitions cover a spectrum, from full-time, five-day-a-week mandates ("return full time or else") to more flexible policies of fewer than 5 days per week that incorporate context and employee input. While there is no one-size-fits-all approach, the key to successful transitions is to focus on what is right, what works, and what matters when setting policies. Here are ten strategies that support RTO transitions (Cascio, 2025; 2026).

Ten Strategies That Support RTO Transitions

1. **Offer new or enhanced benefits to mitigate RTO's negative effects**, such as onsite fitness options, commuter benefits, free food, and childcare assistance (Mayer, 2025d). The key is to listen to employees to gain deeper insights into the benefits that can ease the

effects of RTO on their work, families, and finances. Listening is essential for gaining employee support for change (Knight, 2025), and it also addresses a primary concern of 80% of managers in one survey. If they had more data, they would have taken a very different approach to their RTO plans (Thier, 2023).

2. **Provide office features that foster connections, promote sustainability, and support the purpose of in-person work.** Offices of the future must meet four key criteria: they should be spaces with a clear purpose (e.g., gathering, sharing knowledge, learning new skills, brainstorming, celebrating); promote connectivity; be digitally enhanced (integrated ecosystems of hardware, software, and services); and focus on sustainability. Sustainable offices support employee well-being by incorporating natural elements, providing healthy air, and ensuring access to the outdoors (McKinsey & Co., 2025).

3. **Focus on collaborative problem-solving and active listening** to build trust, social connections, and inclusivity. Commit to community-wide problem-solving focused on finding solutions. Listening to employees and genuinely considering their input is essential to this process, especially as work teams become more fluid, overlapping, and dispersed (Mortensen & Haas, 2018). In-person interactions should include happy hours, team lunches, and team-building events that promote bonding and social connections. Such activities create growth opportunities. Among those with close friends at work, 76% report being more likely to stay with their employer, 80% have a stronger sense of belonging, and 86% experience higher job satisfaction, compared to those without close friends (Maurer, 2025).

4. **To build support among key employee leaders, let data drive the RTO process.** To identify informal leaders and interaction patterns among employees, including cross-functional interactions, consider using organizational network analysis (ONA) (Brass et al., 2004; Cross & Gray, 2021). ONA measures and visually represents the connections and collaboration patterns among people within (and across) organizations. It can identify boundary spanners (those who connect groups or units that would otherwise remain separate), super connectors (who interact with a wide range of people and groups), and energizers (who foster enthusiasm and a sense of purpose throughout their networks) (Samdahl, 2021). The objective is to avoid forcing key individuals back to the office without giving them the opportunity to influence how plans are carried out (Cross & Gray, 2021).

5. **Many post-pandemic RTO policies reveal broken psychological contracts.** Employees who believed they had proven their ability to work effectively from home and had reorganized their lives around that belief felt betrayed when the terms changed. To repair those contracts, adopt a framework with guidelines that can be discussed with employees. Fayard and Weeks (2025) propose three guiding principles: (a) relational proximity – providing opportunities for in-person meetings to develop relationships and

connect with people's feelings; (b) transparency in guiding principles – allowing flexibility so that line managers can interpret and modify policies. For example, a consulting firm might offer hybrid work options to all employees except new hires, who must work on-site during their first six months; and (c) attentive adaptability – a willingness to adjust to individual contexts and personal situations.

6. **To rekindle motivation, provide a clear rationale for RTO** that outlines the benefits for individuals, teams, and the organization. Certain aspects of work, such as coordination, collaboration, knowledge sharing, learning, socialization, creative problem-solving, and complex decision-making, improve when individuals share the same physical space (Cappelli & Nehmeh, 2025b; Huang & Lajoie, 2023). Ensuring that employees spend time together, discuss expectations, plan, and get to know one another is crucial for building trust and reinforcing the organizational culture. Such interactions are particularly significant during team formation, project kick-offs, or organizational changes such as mergers or acquisitions.

7. **Assess risks proactively.** To project recruitment and staffing needs, consider both voluntary and involuntary employee turnover based on the RTO strategy (e.g., a full-time RTO mandate). Will that require higher compensation levels to attract top talent? What will be the impact on employee morale and the costs needed to improve it? Might organizational culture be negatively affected? If so, develop a detailed plan to reduce those effects. Are existing health and wellness benefits robust enough to mitigate increased employee stress and related physical and mental health issues?

8. **Develop and implement a top-down communication strategy** that recognizes frontline managers are essential to how messages are communicated and how teams respond. To support the well-being of managers and employees, include separate messages for each group. Provide extensive information to managers who will support and guide employees through the process, ensuring they are not left to handle the disruption on their own. Address employees' fears and anxieties, ensuring everyone is aware of the what, why, and how of the RTO transition and where to find answers to their questions (Knight 2025).

9. **Create a positive employee experience to attract and retain top talent** (Meier 2024). This should be a top priority during any RTO transition. Four key workplace features are essential to a positive employee experience (SHRM 2024): being part of a cohesive team, finding purpose in one's work, receiving fair treatment, and being recognized for one's contributions. Each may seem straightforward, but in reality, they pose complex challenges for leaders and HR professionals. Unfortunately, only 42% of U.S. employees agree that their employers excel at creating a positive employee experience (SHRM 2025).

10. **To enhance accountability and responsibility in people management, link managers' bonuses to the retention and engagement of their direct reports.** Linking

part of an executive's annual incentive pay to employee retention and engagement ensures that, if key talent leaves at rates above market or industry averages, the executive will be responsible for improving the conditions that led to their direct reports' departures. For example, PepsiCo allocates managers' incentive compensation equally between people development and results (Church, 2017). Its approach is grounded in a fundamental principle: people do what they are rewarded for doing. This is the law of effect (Thorndike, 1927; Herrnstein, 1970).

One universal theme—supported by over 100 years of research in psychology—is that positive reinforcement, not punishment, shapes the behavior of people in organizations. HR's role is to design systems and experiences that make the office a place people choose to be, not simply a place to which they are required to report.

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PART VII

Personal Growth

Becoming the Future HR Leader

SECTION INTRODUCTION

Personal Growth: Becoming the Future HR Leader

By Patrick M. Wright

All of the previous sections have focused on organizations—the environments they face, the strategies they pursue, the cultures they build, the leaders they need, the talent they manage, and the HR functions that must address all of these elements. This final section shifts the focus to the individual level, highlighting what professionals must do to grow and develop themselves and the key areas in which that growth must occur.

Chester's article opens the section by identifying three practices essential for HR professionals. First, they must cultivate curiosity about topics that extend beyond their day-to-day responsibilities. Second, they need to learn how to set and enforce boundaries to prevent burnout. Third, they should practice gratitude as a way to reduce stress, build resilience, and strengthen relationships.

Huang's chapter emphasizes the critical importance of developing "policy chops." She notes that public policy touches nearly every aspect of HR, including executive compensation, labor and employment law, benefits and healthcare, workplace AI and technology, and talent development. She recommends that individuals increase their policy awareness by following reliable sources for updates, building relationships with legal and government affairs colleagues, thinking both regionally and globally, and actively engaging in policy discussions.

Ray explains how CHROs must move beyond generic reporting to craft tailored human capital narratives and metrics that address the specific needs of distinct stakeholders, such as investors, boards, and employees. She proposes a 5-step process for developing a human capital narrative and provides multiple examples of the narratives and their associated HC metrics.

Rao argues that the changing business landscape requires attending to multiple stakeholders. He suggests six challenges and the competencies that will lead to HR delivering more value to all stakeholders with an emphasis on the communities where people live and work. He also highlights five tasks required of HR to deliver more value.

In a chapter focused on CHROs, Taylor argues that three defining characteristics elevate an HR leader to the role of true strategic partner. First, CHROs must develop deep expertise in people and organizational dynamics. Second, they must demonstrate courage—speaking truth even when it is uncomfortable and supporting their perspectives with facts. Finally, by becoming trusted confidantes, they can build strong relationships with the CEO, the executive leadership team, and the board.

Buyens, Dewettinck, and Gansbeke highlight the importance of developing the ability to navigate organizations as political systems. They note that most organizations have a "dominant coalition"—a small group of individuals who wield disproportionate influence over key decisions. This often informal group shapes strategy, and CHROs must understand whether they are part of it and, if not, what they are willing to do to gain influence within it. The authors conclude that while much has been written about the "positional challenge" (am I part of the executive committee?) and the "communication challenge" (am I speaking the right language?), too little attention has been paid to what may be the most critical challenge of all: effectively navigating organizational politics.

Finally, Conaty and Ulrich address one of the most important drivers of career success—executive presence. They define executive presence as how one is perceived by others, how one generates energy and passion, and how one helps others expand their capacity. They identify five components of executive presence. First, individuals must replenish physical resources by managing their appearance and maintaining attentiveness. Second, they should build strong social networks through active engagement and communication. Third, they need to create emotional reserves by demonstrating emotional intelligence and fostering trust. Fourth, they must strengthen intellectual capacity through curiosity, continuous learning, and translating aspirations into action. Fifth, they should rely on a spiritual foundation by articulating a meaningful future for the organization and living its values.

Taken together, these chapters provide a roadmap for the areas HR professionals must develop to succeed—both in their careers and in their personal lives.

CHAPTER 54

What About Me?!

By Chester Elton

Sometimes it feels like all you do is give and give and then give some more. Does that sound about right? We've all been there, and it's no fun. In fact, it is exhausting. When do you get time to refill your tank? When do you make sure that you have enough in you, to be able to give to others. It's a fair question to ask, "What about me?"

An age-old proverb advises, "You can't give what you don't have," which is as true today as ever. As HR leaders, we need to find ways to keep the fire of our passion for serving others burning, in as many creative ways as possible. HR leaders face ever increasing challenges as they are pressed to give more. Using a validated burnout instrument, nearly two-thirds of HR professionals in one 2024 study reported mental exhaustion—evidence that the 'people caretakers' are quietly burning out too.[1]

A few ideas to help you stay happy and healthy at work so you can be your best self with those that you serve so that you can serve them better:

1. Stay curious
2. Set boundaries
3. Practice gratitude habits

Curiosity

"I have no special talent I am just passionately curious" -Albert Einstein

I couldn't resist a class in the university catalogue titled "World History." I loved history, and in one semester I could study the whole history of the world. Too good to pass up. Plus, I needed an elective class to graduate. Perfect!

The class exceeded my high expectations. What I loved most was the enthusiasm of the professor. He showed up every time with the biggest smile and just so excited to share fascinating revelations with us. While I had loved history before his class, he made me truly passionate about it!

I don't remember much about the dates and wars and politics so many years later, but what I do remember is one piece of advice he gave us that was an absolute game changer for how I viewed history and, even more importantly, the value of discovery. He encouraged us to keep at least one book next to our bed that had nothing to do with school or our jobs. Just something that struck us as interesting. It could be a novel, a self-help book, scriptures or, for me, more history.

He also mentioned that as poor university students we might want to check out the dollar table at the student union, which offered really good books for, yes, just one dollar. So, after class that day I headed to the dollar table and found a gem of a book titled *The First Casualty*, by Philip Knightley. I'll always remember the quote at the book's opening:

"The first casualty when war comes is the truth" Senator Hiram Johnson, 1917

Knightley artfully related the history of war correspondents from the Crimean war up to Vietnam, emphasizing how officials pressured them to tailor their reporting to their governments' preferred narrative. I felt privileged to be taken behind the scenes of a world I knew nothing about, and I devoured the book in just a few days. As I made many more trips to the wonderful dollar table, I always found a book on an intriguing topic I'd never thought to delve into before.

I enjoyed the reading for my classes, but this purely curiosity-driven reading was different. Whereas I was often tired out by reading for a class, this leisurely reading energized me. I felt liberated from the demands of my studies and nourished rather than depleted. Making some time almost every day for this exploration became a personal ritual.

With this one simple suggestion, that professor had an enormous impact on my life. He taught me why curiosity is so important. It not only constantly feeds your mind but rejuvenates you and reminds you that life is about so much more than just work, work, work! What's more, this "me time" enriches your "we time," helping you to be more fully present when others need you, both at work and home. So, **give yourself the gift of time to let your curiosity run free**, with whatever pursuits are most appealing to you, especially outside your traditional work setting. It worked for Einstein, and it will work for you too.

Boundaries

If someone throws a fit because you set boundaries, it's just more evidence the boundary is needed.
UNKNOWN

A major reason we can find ourselves run down is the belief that we need to be on call 24/7/365. We're responding to emails at midnight, and then again at the break of dawn. ***Don't do it!***

When you are at work, it is important to be fully present, and when work is over, it's vital to let work be over. While some things are urgent, no question about that, most are not. That doesn't mean you should push everything to tomorrow. It does mean that you should manage expectations, both up and down the food chain, about when you will be on call and how quickly you will respond. Prioritize responses vigorously. Be truthful with yourself about how pressing an issue is. If you feel you really must acknowledge receipt, send a confirmation and say you'll respond fully at another time. People will respect that you are managing your time.

Enforce an end of your work day. Put in those hours and then leave, physically and virtually. Shut email off. Your mind needs a break, which is crucial to getting the sleep you need. The CDC and the Mayo Clinic recommend seven to nine hours a night, and less than seven hours of sleep per night, they say, is associated with poor health, including an increased risk of obesity, diabetes, high blood pressure, heart disease, stroke, and depression[2]. YIKES!

Also consider that HR is supposed to set the standards for a healthy and productive workplace for the rest of the company. If you're responding to emails in the wee hours and downing eight cups of coffee a day to stay awake in meetings, you're modeling that behavior. Others will think they have to conform.

So set clear boundaries and stick to them. You will immediately be exhilarated. You'll also be more productive, and you'll feel the enormous reward of helping others set boundaries. Take care of yourself so you can care for others with demanding HR challenges.

Gratitude Habits

"Gratitude is a habit that turns busy days into better days" - Chester Elton

I'm a huge fan of simple rituals. For example, an eye care store in Canada starts and ends the day with a ritual that's brilliant. Every morning the team gets together to go over the day's work. They discuss the big stuff and the little stuff that needs to get done. Then they go around the table and each shares something they're grateful for. Maybe that's a great customer story, a celebration of an anniversary, a child's graduation — whatever brings a smile to their day. This little gratitude exercise that takes less than 10 minutes sets the right tone for the day, uplifting them all. Research shows that expressing gratitude is one of the strongest contributors to wellbeing by helping reduce stress, building physical and emotional resilience, and strengthening relationships[3].

To close their day, the team at the eye care company gathers again to go over what went right and where they could have done better. They then celebrate another great day of helping people see better. That positive note sends people home feeling good about their work, and about the company where they work. This 10-minute gratitude pause saves time and increases community, commitment, and customer service.

I've seen many variations of such a gratitude practice. You can be creative about how you implement one, and you should encourage team leaders all around the company to institute their own. While some of them may be reluctant at first, they'll quickly see powerful results, as will you with your own team. Before long, the practice becomes more than just an exercise; it becomes a defining feature of who you are as a team, and as a company.

People need to be seen and celebrated. It is basic to us as humans. A simple gratitude ritual is a wonderful way to ensure that everyone expresses themselves and is listened to, while also spreading the magic of gratitude. People will begin sharing their gratitude more with family, friends, and in all of their daily encounters. You will too. And you will reap the additional reward of knowing you've set these magical ripples of gratitude in motion.

So… what about you?

This is in no way a selfish question. You are as important as everyone else, and your wellbeing is important to serve others.

Let's face the cold, hard reality of HR. Other people's problems become your problems, on top of your own. You are told suck it up, and fixing everyone and everything is your job. Or perhaps you tell yourself this.

But to be the best HR leader you can be, make time to rejuvenate, and to find joy in your work. These three simple practices (curiosity, boundaries, and gratitude) will greatly enhance your wellbeing, not only at work, but every day in all walks of your life.

Why not start practicing them right now? I am cheering for you!

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CHAPTER 55

Playing Offense: How Policy Fluency Turns HR Professionals into Strategic Power Players

By Ani Huang

Why Every HR Professional Should Care About Public Policy

When most people enter HR, they're drawn to the human side of business—helping people grow, building great workplaces, solving interpersonal challenges. Public policy feels distant, maybe even boring. It's the realm of lawyers and government affairs teams, not the daily concerns of someone working in talent acquisition or employee relations. I felt this way myself when I joined the CHRO Association in 2012 as a young head of total rewards.

This is a dangerous blind spot.

Public policy shapes nearly everything HR professionals do, often in ways that aren't obvious until it's too late. The truth is, if you're building an HR career right now, understanding public policy is foundational to doing your job well. And the earlier you develop this awareness, the more strategic and valuable you'll become.

The Big Idea: Policy Creates the Playing Field

Public policy doesn't just regulate HR—it fundamentally determines what's possible in how organizations attract, manage, compensate, and retain people.

Think of it this way: HR professionals often see themselves as architects of workplace culture and people strategies. But policy sets the boundaries of that architecture. It determines which building materials you can use, how tall your structure can be, and sometimes even what you're required to build. You can be the most creative, people-focused HR leader imaginable, but if you don't understand the regulatory landscape, you'll constantly run into walls you didn't see coming.

The challenge many young HR professionals face when considering public policy is reactive thinking. They learn about policies only when compliance issues arise or when their company gets surprised by a new regulation. By then, they're playing defense, scrambling to adjust programs that may have taken months to design.

The opportunity is to flip this dynamic. When you understand the policy landscape proactively, you transform from someone who reacts to constraints into someone who anticipates changes, advises leadership strategically, and designs programs that are both innovative and durable.

What This Solves: From Tactical to Strategic

Failing to understand the role of public policy limits our impact and career growth.

1. **You can't see around corners.** Without policy awareness, you're constantly surprised. A new overtime rule changes your entire compensation structure. An immigration policy shift disrupts your hiring pipeline. A benefits mandate requires expensive program redesigns. Each surprise erodes your credibility and forces you into crisis mode.
2. **You speak the wrong language in the boardroom.** When executives make strategic decisions, they think about risk, competitive advantage, and financial implications. If you only speak the language of culture and engagement, you're left out of crucial conversations. Policy fluency lets you translate people issues into business terms that leaders understand and care about.
3. **You can't innovate confidently.** Want to design a creative remote work policy? Implement AI-powered hiring tools? Build a flexible benefits program? Without understanding relevant regulations, you'll either play it too safe or expose your company to serious risk. Policy knowledge gives you the guardrails to innovate boldly.
4. **Your solutions don't scale.** What works brilliantly in one state or country may be illegal or impractical in another. As your career progresses and you take on broader scope, this becomes existential. Understanding policy helps you design people programs that work across diverse regulatory environments.

How Policy Touches Everything You Do

It could be argued that policy plays a role in all aspects of HR – but here's a sampling of key areas where it's critical.

- **Executive compensation** is almost entirely shaped by policy. Tax regulations determine how stock options, deferred compensation, and bonuses are structured. Say-on-pay rules influence how companies communicate with shareholders about executive pay. Securities regulations dictate disclosure requirements. If you work anywhere near compensation, you're working with policy constraints whether you realize it or not. The professionals who understand these rules design creative packages that achieve business goals while managing regulatory and reputational risk.
- **Labor and employment law** is the most obvious policy intersection, but it's deeper than most people appreciate. Yes, you need to understand wage and hour rules, anti-discrimination statutes, and harassment regulations. But this isn't just about compliance. These laws reflect societal debates about workplace fairness, employee voice, and employer obligations. Understanding the policy debates along with the

current rules helps you anticipate where regulations are heading and why they exist in the first place.

- **Immigration policy** directly determines whom you can hire and how quickly. In competitive talent markets, immigration constraints can be the difference between landing exceptional candidates and watching them join competitors in other countries. If you work in talent acquisition or workforce planning, understanding visa categories, processing times, and policy trends is table stakes. Right now, for instance, debates about H-1B visas and international student work authorization are reshaping talent strategies for thousands of companies.
- **Benefits and healthcare** operate in a labyrinth of policy requirements. The Affordable Care Act, ERISA, COBRA, HIPAA, paid leave laws, retirement regulations—the list goes on. Each creates obligations but also opportunities. Smart HR leaders understand these rules well enough to design competitive benefits packages that control costs while meeting diverse employee needs. They know which benefits are mandated, which are tax-advantaged, and where they have creative flexibility.
- **Workplace AI and technology** sit at a fascinating policy frontier. Right now, regulations around algorithmic hiring, employee monitoring, data privacy, and AI decision-making are evolving rapidly. The EU is implementing comprehensive AI regulations. Several U.S. states are passing laws about algorithmic transparency in hiring. If you're implementing AI tools for recruiting, performance management, or workforce analytics, you're navigating an uncertain policy landscape. The HR professionals who understand these emerging rules will shape how their organizations use technology responsibly and effectively.
- **Talent development** and education connect to policy through tuition assistance programs, apprenticeships, tax credits for training, and partnerships with educational institutions. Understanding these policies helps you access resources and structure programs that benefit both employees and the bottom line.

How to Apply This: A Practical Approach

So how do you actually develop policy literacy without becoming a lawyer or lobbyist? Here are five practical strategies:

1. **Start with awareness.** You don't need to memorize every regulation. Instead, develop awareness of which HR decisions have policy implications. Compensation? Check for tax and securities rules. Hiring? Consider immigration and discrimination law. Benefits? Look at mandates and tax treatments. Workplace technology? Think about privacy and AI regulations. You'll soon develop a sixth sense for when to dig deeper or consult experts.
2. **Follow the right sources.** Identify three to five reliable sources for policy updates relevant to your area and spend 30 minutes weekly scanning for policy developments. Sign up for ONE weekly policy newsletter – preferably one that lets you select which

topics you're interested in. You're not trying to become an expert—you're building awareness of what's changing and why it matters.

3. **Connect with your legal and government affairs colleagues.** These internal experts are amazing resources. Build relationships with them. Ask questions. When there's a policy change, don't just learn the new requirement—ask why the policy exists, what problem it's trying to solve, and where the debate is heading. This context makes you strategic.
4. **Think regionally and internationally from day one.** Even if you work for a small company in a single location now, assume your career will eventually involve multi-state or international scope. Pay attention to policy differences across jurisdictions. This makes you valuable for growing companies and prepares you for larger roles.
5. **Engage with policy discussions.** You don't need to become a policy advocate, but participating in industry consultations, helping submit comments on proposed regulations, or joining working groups gives you insight into how policy is made. This inside view helps you anticipate changes and understand the interests shaping workplace regulations.

Why This Matters Now More Than Ever

The pace of policy change affecting HR is accelerating, and it's not all about AI. Remote work is prompting new debates about where employees are taxed and what benefits they're entitled to. Climate policy is creating expectations about corporate sustainability commitments. Healthcare costs and student debt are driving new benefits discussions. Immigration remains politically contentious with dramatic swings in policy.

Meanwhile, the workforce itself is demanding that employers take positions on policy issues, from paid leave to criminal justice reform. HR professionals increasingly find themselves at the intersection of internal people strategy and external policy debates.

The HR professionals who develop policy literacy now will have an enormous advantage. They'll advise leadership more strategically, design more robust programs, navigate change more smoothly, and build careers with greater scope and impact.

Creating great workplaces requires understanding the rules of the game—and ideally, having a voice in shaping those rules. So start paying attention. Follow policy debates. Ask questions. Build relationships with experts. Treat policy knowledge not as a burden but as a strategic asset. That understanding is what transforms good HR practitioners into indispensable strategic partners.

CHAPTER 56

Telling the Human Capital Narrative

By Rebecca L. Ray and Patti P. Phillips

Given that people-related costs can now be half (or more) of the operational budget for an organization, Chief Human Resource Officers are under increasing scrutiny to deliver business results against a backdrop of regulatory and government policy changes, demographic shifts and relentless technological advances. The need to tailor the articulation of impact of the work done by human capital professionals to various stakeholder groups is increasingly critical. Knowing what is important to each stakeholder group is key to selecting those metrics, which support the narrative you need to present to each.

For example, board members may be interested in the projected impact AI will have on the workforce, the depth of the leadership pipeline and the readiness of the workforce to execute strategic initiatives; community leaders will likely focus on training/reskilling members of the community for future employment as well as support for local businesses and NGOs; employees will want to understand the linkage between performance, compensation and financial well-being as well as how the organization supports their growth and career trajectories; and investors may focus on the culture and employee experience, success in the war for talent and the integrity of the supply chain and human rights. Figure 56.1 presents stakeholder groups for which customized narratives and relevant metrics are of most importance[1].

Reflecting on your organization's unique culture and the communication delivery norms for each stakeholder group, the narrative you create will likely follow a framework in answer to these questions. You will determine the context and depth of detail necessary for each stakeholder group.

Figure 56.1 Telling the Human Capital Management Story: The Conference Board, 2022

Begin with Business-Related Challenge

The HCM narrative depends first on the business-related challenge. A business challenge is any opportunity or problem that has the attention of key stakeholders. Addressing the challenge often leads to increasing profits, reducing costs, or avoiding costs. Success with the challenge might also indicate the organization is contributing to a greater good for employees, customers, or the community it serves.

Clarify Stakeholder Desires, Demands, or Needs

Whether a desire or demand, stakeholder needs represent the insights stakeholders use to determine HCM's resolution of the challenge. For example, a challenge of interest to investors is leadership's ability to capitalize on and optimize its talent so that the organization maximizes its ROI for shareholders. Operational leaders need evidence that investments in people are paying off in terms of efficiency, cost savings, and improvement in their key performance indicators so that they can make informed decisions about resource allocation and operational priorities.

Craft the HCM Narrative

Informing stakeholders of an organization's progress toward achieving desired outcomes and addressing their needs requires a narrative that is compelling, logical, and credible. Yet narrative alone, however well-crafted, remains incomplete without data to substantiate claims and demonstrate measurable progress.

Include Metrics that Support the Narrative

Metrics indicate the extent to which an organization is moving in a direction desired by the stakeholder. Which metric is most meaningful depends on the business-related challenge and the stakeholder needs.

What follows is guidance on the suggested key metrics most likely to support the human capital narrative you will want to tailor for each stakeholder group. As shown, there may be and likely will be overlap with the metrics you report and the stakeholder groups. The key difference in the overlap might be the depth of the data or the selected population. You will decide the appropriate level of detail to present.

Suggested Stakeholder Group Metrics to Tailor the Organizational HCM Narrative		
To effectively communicate the value of Human Capital Management (HCM) to diverse stakeholders, it is crucial to tailor the narrative and supporting metrics to address their specific concerns and interests. This table details how different stakeholder groups view HCM and the corresponding metrics that can reinforce your organizational narrative.		
Securities and Exchange Commission (SEC) and/or Industry or ESG-Focused Regulators Business-related challenge: Build trust through transparency and avoid closer scrutiny.		
Stakeholder Needs	**HCM Narrative**	**Metrics to Support the Narrative**

Mandated Disclosures and Issues of Human Capital Materiality	"[ORGANIZATION] complies with all mandates and works to ensure effective human capital risk management…"	Number of Employees[2] Human Capital Management Issues[3] Commonly Disclosed Metrics on Voluntary Basis[4] ● CEO/EE ratio ● CEO-to-median pay ratio ● Workforce demographics ● Turnover rates (involuntary & voluntary) ● Training hours per employees ● Internal mobility ● Health & safety incidents ● Employee satisfaction scores ● Union representation ● Labor rights compliances
Investors Business-related challenge: Build and sustain investor confidence and interest.		
Stakeholder Needs	**HCM Narrative**	**Metrics to Support the Narrative**
Beyond regulatory mandates, seeks assurance that organizations deploy human capital effectively to optimize financial ROI.	"[ORGANIZATION] is positioned to achieve strategic growth objectives as well as continued financial and operational high-performance as evidenced by the progress made in these critical areas of human capital…"	Macro-Performance Indicators[5] ● Overall Human Capital ROI (HCROI) ● Human Economic Value Added (HEVA) ● Human Capital Value Add ● Human Capital Market Value ● Employee productivity Total Rewards ● CEO-to-Median Employee Pay Ratio ● Benefits Participation Rate ● Benefits Cost per Employee ● Return on Investment in Total Rewards ● Financial impact of Total Rewards ● Healthcare costs savings from programs Talent Retention ● Employee turnover ● Critical talent turnover ● Employee Engagement ● Employee Net Promoter Score (eNPS) Leadership Bench Strength/Succession ● Succession Readiness Ratio ● Critical Positions Filled Internally ● High Potentials per Critical Role ● Leadership Bench Strength Index ● Leadership Development

		● Leadership Quality Assessment ● Incumbent vs Successor Diversity Percentage ● Executive Compensation v Performance Health & Safety ● Safety incidents ● Lost-time accidents/injury ● Fatalities ● Training hours on health and safety ● Number of employee-based lawsuits or EEOC, OSHA reports ● Human rights metrics ○ Percentage operations that have been subject to human rights reviews/assessments ○ Percentage hours devoted to training workers on human rights policies/procedures ○ Agreements or contracts with human rights clauses. Supply Chain Integrity ● Traceability and transparency ● Supplier audit coverage ● Labor standards compliance ● Environmental compliance ● Supplier diversity and inclusion ● Financial stability ● Quality safety metrics Unionization Rates ● Membership rate ● Representation rate ● Collective bargaining coverage rate ● Strikes and lockouts

Leadership: Board of Directors Business-related challenge: Offer visibility into workforce capability, opportunity, and risks.		
Stakeholder Needs	**HCM Narrative**	**Metrics to Support Narrative**[6]
Progress/success in execution of business strategy; Greater confidence	"Beyond the required Human Capital disclosures which support our filings, we are committed to	Regulatory Disclosures Macro-Performance Indicators ● Overall Human Capital ROI (HCROI) ● Human Economic Value Added (HEVA)

in CHROs in mitigating HC risk.	mitigating HC risk and supporting [ORGANIZATION'S] long-term value creation. HC initiatives and outcomes continue to support [ORGANIZATION'S] mission and strategic growth targets by tangible progress in these critical areas…"	● Human Capital Value Add ● Human Capital Market Value ● Employee productivity Leadership Bench Strength/Succession ● Succession Readiness Ratio ● Critical Positions Filled Internally ● High Potentials per Critical Role ● Leadership Bench Strength Index ● Leadership Development ● Leadership Quality Assessment ● Incumbent vs Successor Diversity Percentage ● Executive Compensation v Performance Worker Health and Safety ● Safety incidents ● Lost-time accidents/injury ● Fatalities ● Training hours on health and safety ● Number of employee-based lawsuits or EEOC, OSHA reports ● Hotline usage reporting ● Human rights metrics ○ Percentage operations that have been subject to human rights reviews/assessments ○ Percentage hours devoted to training workers on human rights policies/procedures ○ Agreements or contracts with human rights clauses. Talent Acquisition and Deployment ● Total Cost of Hire ● Time to Fill ● Time to Hire ● Cost per Hire ● Offer Acceptance Rate ● First-Year Turnover Rate ● Source Effectiveness/Quality ● Application Completion Rate Talent Retention ● Turnover (voluntary/involuntary) ● Internal Mobility Rate ● Critical Talent Retention Rate ● Absenteeism Rate Employee Experience ● Employee Engagement Scores

<table>
<tr><td></td><td></td><td>Employee Net Promoter Score (eNPS)
Employee voice system usage reporting
Talent Development/Capability
Performance Management
Number of workers with completed performance reviews compared to total number eligible
Number of workers involved actively enrolled in performance remediation programs compared to total employee headcount
Average performance scores by function, job level, job type, manager
Training/Learning & Development
Percentage of population involved in programs
Effectiveness of learning and development
Average cost per employee of training
Skills gaps
HR Technology and Operations
Percentage of HR programs supported by technology
Employee (HR) productivity
Turnover of HR professionals
Percentage of HR participate in learning and development</td></tr>
</table>

<table>
<tr><td colspan="3">Employees
Business-related challenge: Build trust and engagement leading to enhanced productivity.</td></tr>
<tr><th>Stakeholder Needs</th><th>HCM Narrative</th><th>Metrics to Support Narrative</th></tr>
<tr><td>Higher trust in the organization and its leaders. Better total reward package, working relationships, opportunities for development and growth. ORG commitment to mission/values.</td><td>“[ORGANIZATION] is committed to a fair, growth-minded and inclusive workplace, in short, making the organization a “Great Place to Work” for all. To that end, we are working to help you thrive and succeed as evidenced by the progress so far…”</td><td>Leadership
Management quality
Decision-making quality
Resource allocation alignment
Employee Development and Career Path
Development Investment
Training hours per employee
Training cost per employee
Skills gap closure rate
Career Path
Time to competency/proficiency
Workforce readiness scores
Skills assessment aligned to strategy</td></tr>
</table>

<table>
<tr><td></td><td></td><td>

Internal mobility success rate
Promotion
Retention

Employee Experience

Total Rewards

Employee compensation compared to market
Benefits Participation Rate
Benefits utilization

Pay Transparency

Published pay range coverage
Percentage of job postings that include pay information
Percentage of employees with access to pay structures
Employee perception of pay transparency as indicated by survey data

Safety Culture

Lost-time accidents
Lawsuits, EEOC, OSHA reports
Psychological safety index (PSI)
Timeliness of complaint resolution
Hotline usage reporting
Voluntary error rate reporting

Engaging Culture

Employee Engagement Scores
Employee Net Promoter Score (eNPS)
Employee voice system usage reporting
Employee productivity
Number of new patents filed
Number/type new products/services to market

</td></tr>
</table>

<table>
<tr><td colspan="3">Community: Partners, Families, Businesses, Candidates
Business-related challenge: Build trust and strengthen brand leading to recruiting and retention value.</td></tr>
<tr><td>Stakeholder Needs</td><td>HCM Narrative</td><td>Metrics to Support Narrative</td></tr>
<tr><td>Higher trust, improved reputation & brand. Better hiring prospects.</td><td>“[ORGANIZATION] is committed to making a difference as evidenced by our contribution of time and resources as well as our</td><td>Excelling at environmental, health and safety

Environmental

Reduction in carbon emissions
Tons of solid waste diverted from landfills through recycling/composting

</td></tr>
</table>

	financial investment in this community's success. Here are a few highlights… "	◦ Water consumption per production unit or per employee ◦ Percentage of energy from renewable sources ◦ Environmental compliance rate • Health and Safety ◦ Safety incidents ◦ Lost-time accidents/injury ◦ Fatalities ◦ Number of employee-based lawsuits or EEOC, OSHA reports ◦ Human rights metrics Supporting families of employees • Family benefits participation rate • Family benefits utilization rate • Dollar value of dependent tuition assistance/scholarships or grants • Duration of parental leave taken beyond legal minimum • Number of dependents covered under employee assistance programs (EAP) • Utilization rate of flexible work arrangements to support family needs • Number and participation rate of family-oriented events • Percentage of employees with access to elder care resources or support Serving as mentors or instructors in secondary classrooms • Employee volunteer hours in k-12 classrooms • Number of employees serve as guest speakers, instructors, or mentors • Number of employees engaged in nonprofit work focused on educational programming (e.g. Junior Achievement) Sourcing local talent and development of future employees • Percentage of new hires residing with x-mile radius of facility • Percentage of total workforce from local community • Number of apprenticeships offered to local residents • Intern/apprentice to FTE conversion rate

		• Dollar investment in local workforce development programs Addressing community issues • Number of employees engaged in volunteer activities • Number of work-hours used in volunteer activities • Number of community activities organized by organization • Dollar value of in-kind contributions for community projects • Number of beneficiaries served through volunteer activities • Employee volunteer participation rate compared to industry benchmarks Supporting not-for-profits in their mission • Total dollar value of corporate contributions • Percentage of pre-tax profits donated to charitable causes • Dollar value of matching gift programs (employee donations matched by company) • Number of employees in leadership roles of local nonprofit • Number of leadership development programs that include non-profit projects as developmental opportunities • Impact of leadership development partnership between organization and non-profit • Number and effectiveness of cause-related marketing campaigns that benefit nonprofits Partnering with local businesses to support their sustainable growth • Percentage of procurement spending with local suppliers/vendors • Dollar value of contracts awarded to local small businesses • Number of local businesses in active vendor relationships • Number of local businesses supported through mentoring or technical assistance • Retention rate of local supplier relationships • Dollar value of innovation or growth as a result of partnerships

<table>
<tr><td colspan="3">Community: Professional Organizations
Business-related challenge:</td></tr>
<tr><th>Stakeholder Needs</th><th>HCM Narrative</th><th>Metrics to Support Narrative*</th></tr>
<tr><td>Metrics that provide insights into HCM v. those of comparable industry members in an effort to recognize what "great" looks like.</td><td>[ORGANIZATION] is a leader among industry peers and in the human capital profession in both the effectiveness of the HC function but also in the impact that it has on driving organization strategic goals, its business/financial success and the communities in which we work as evidenced by…"</td><td>Measures of efficiency in key HCM areas
● Time to fill
● Cost per hire
● Time to efficiency
● Employee retention
● HC staff per employee ratio

Progress in culture and engagement initiatives
● Total Rewards
○ Employee compensation compared to market
○ Benefits Participation Rate
○ Benefits utilization
● Safety Culture
○ Lost-time accidents
○ Fatalities
○ Lawsuits, EEOC, OSHA reports
○ Psychological safety index (PSI)
○ Timeliness of complaint resolution
○ Hotline usage reporting
○ Voluntary error rate reporting
● Engaging Culture
○ Turnover (voluntary/involuntary)
○ Internal Mobility Rate
○ Employee Engagement Scores
○ Employee Net Promoter Score (eNPS)
○ Employee productivity
○ Number of new patents filed
○ Number/type new products/services to market
Internal Branding
● Overall engagement scores
● Engagement scores by business unit, department, location
● Participation rate in employee engagement surveys
● Manager effectiveness scores
● Percentage of employees receiving recognition
External Branding</td></tr>
</table>

		• Glassdoor/Indeed rating (overall score and trend)
		• Number of Glassdoor/Indeed reviews and ratio of positive to negative
		• Recommend to a friend percentage
		• “Best Place to Work” rankings
		• Awards and recognitions
		• Percentage of qualified applicants per job posting
		• Percentage of applicants accepting offers
		• Applicant-to-hire conversion rates
		• Employee referral rate
		Impact of human capital investments in furthering organization strategic goals
		• Macro-Performance Indicators[7]
		    o Overall Human Capital ROI (HCROI)
		    o Human Economic Value Added (HEVA)
		    o Human Capital Value Add
		    o Human Capital Market Value
		    o Employee productivity
		Community impact
		• Employee volunteer hours in K-12 classrooms
		• Number of employees service as guest speakers, instructors, or mentors
		• Number of employees engaged in nonprofit work focused on educational programming (e.g. Junior Achievement)
		Total dollar value of corporate contributions
		• Number of employees in leadership roles of local nonprofit
		• Percentage of procurement spending with local suppliers/vendors
		• Dollar value of contracts awarded to local small businesses
		• Number of local businesses in active vendor relationships
		• Number of local businesses supported through mentoring or technical assistance
		• Dollar value of innovation or growth as a result of partnerships

*Metrics often specifically requested by industry-specific associations.

Strategic Partners Business-related challenge: Offer guidance to partners and suppliers.		
Stakeholder Needs	**HCM Narrative**	**Metrics to Support Narrative**
Guidance to partners & suppliers, sending powerful message regarding working conditions and supply chain integrity.	"[ORGANIZATION] is a strong, trustworthy partner, focused on innovation who strives for mutual success by our commitment to…"	Living our values in all we do. ● Partner/supplier compliance rate with organization's stated values and standards ● Partner satisfaction scores on "demonstrates integrity and ethical behavior" ● Ethics training completion rates ● Whistleblower/ethics hotline reports ● Number of potential partnerships declined due to values misalignment ● ESG ratings or scores Seeking fair, mutually beneficial financial relationships and joint ventures ● Percent of partnerships where both parties meet or exceed target ROI ● Partner NPS ● Cocreated projects and innovations per year ● Percentage of cocreated projects delivering measurable impact (e.g. cost savings, quality, customer outcomes) ● ROI for joint ventures ● Time to ROI for new partnerships ● Average payment terms to suppliers ● Percentage of invoices paid on time or early ● Number of pricing disputes resolved ● Percentage of multi-year contracts providing revenue stability for partners Transparent, open communication and partnering to solve challenges ● Time to resolve joint issues ● Issue escalation time ● Communication frequency with strategic partners ● Percentage of recurring issues eliminated ● Joint risk assessment and mitigation planning session conducted. ● Percentage of partners with access to relevant performance dashboards or scorecards

		• Adoption rate of shared platforms and collaborative tools Transparent sharing of key internal metrics • Workforce capability and skills • Retention of critical talent • Compliance with labor standards • Collaboration readiness (ex: cross-functional training, cross partners training) • Innovation (ex: R&D spend/talent, # of patents) • Maintaining supply chain integrity (elimination of slave and child labor) • Supporting sustainable growth Supply Chain Integrity • Traceability and transparency • Supplier audit coverage • Labor standards compliance • Environmental compliance • Financial stability • Quality safety metrics

Customers Business-related challenge: Increased trust and loyalty provide		
Stakeholder Needs	**HCM Narrative**	**Metrics to Support Narrative**
Increased trust & loyalty	"[ORGANIZATION] values our customers and their loyalty, and we show it through our commitment to…"	Quality products and services at great value • Net Promoter Score (NPS) • Industry Benchmarks (ex. JD Power, Nielson, Moody's) • Consumer Reports ratings and recommendations • Industry-specific quality awards • Return rate or warranty claim rate • Mean time between failures for products • Product reliability ratings • Safety record • Certifications and Standards (ISO, Six Sigma, FED, EPA, UL, Energy Star) Supply Chain Integrity • Traceability and transparency • Supplier audit coverage • Labor standards compliance • Environmental compliance • Supplier diversity and inclusion • Financial stability

		• Quality safety metrics Exceptional customer service/experience • Net Promoter Score (NPS) • Customer retention / churn rate • Customer satisfaction • Customer engagement indicators ○ Product usage ○ Log-in frequency ○ Feature adoption Striving for a "Great Place to Work" for our employees and contractors • Public/professional recognition by community, etc. • Awards and certifications (Great Place to Work®, Fortune Best Companies, Forbes Best Employers) • Employee compensation compared to market • Employee satisfaction (eNPS) • Psychological safety index scores • Employee turnover/retention

Additional Sources of Metrics that Support the HCM Narrative

[i] Ray, R. R., Washington, P., Schweyer, Al, and Charas, S. (2022). Telling the Human Capital Management Story: Toward a Strategic Competitive Advantage. The Conference Board.
[ii] Currently SEC mandated
[iii] If material to the business as currently mandated by the SEC.
[iv] SEC Human Capital Disclosure Requirements | Donnelley Financial Solutions (DFIN)
[v] Washington, P., Ray, R. R., Charas, S., and Abel, A. L. (2021) *Brave New World: Creating Long-Term Value through Human Capital Management and Disclosure*. The Conference Board.
[vi] Ibid.
[vii]Ibid.

Additional Sources of Metrics that Support the HCM Narrative

- ADP Resource Center https://www.adp.com/resources.aspx
- Center of Talent Measurement and Reporting https://roiinstitute.net/ctmr/
- International Organization of Standardization (ISO) Standard 30414 2nd edition. Human resource management
  – Requirements and recommendations for human capital reporting and disclosure. 2025-8.
- International Organization of Standardization (ISO) Standard 30437. Human resource management – Learning and development metrics. 2023-06.

CHAPTER 57

Challenges and Opportunities for HR Professionals Today

By T.V. Rao

The Indian Space Research Organization's (ISRO) accomplishments are known worldwide. By 2026, ISRO has established itself as a global space leader with 133+ spacecraft missions and 104+ launch missions, highlighting cost-effective, indigenous technology. Major milestones include the historic 2023 soft landing on the Lunar South Pole (Chandrayaan-3), becoming the first nation to reach Mars on its first attempt (Mangalyaan, 2013), and launching the Aditya-L1 solar observatory, while developing reliable launch vehicles like the PSLV and GSLV. It works with a strength of 20,000 employees and with a stringent budget has many accomplishments to its credit. ISRO has a culture of building scientists from within, continuous learning and particularly learning from failures. People who join ISRO stay almost all their life. Starting with its Chairman, all scientists and administrators see it as their job to build other scientists. Technical learning is facilitated in each centre by Learning and development facilitators who are divisional HRD Managers.

The National Dairy development board (NDDB) is mainly responsible for white revolution in India by starting milk cooperatives and federations all over India. The NDDB made India the world's largest milk producer. NDDB has organized over 190,500 village dairy cooperatives, benefiting 16.9 million farmers and boosting productivity through superior animal breeding, nutrition, and modern, transparent milk procurement systems. It has a small HRD team that focuses not so much on guiding its internal talent which is done through traditional systems of performance management, goals getting, training etc. but is focusing on building hundreds of women and others who are suppliers of milk and managers of cooperatives across the country. HR in recent years changed its focus from employees to suppliers, and beneficiaries of it who may be called as customers. It has focused in recent years on empowering women in cooperatives and developing institutions.

These two examples indicate the changing scope of HR in large organisations today.

Disruptions in the last six to seven years have changed the landscape of HR from employee focus to all stakeholder focus and community focus. The stakeholders include customers, investors, employers, employees, government and the community. This opens up new avenues for HR professionals for making an impact. It increases the scope of HR and puts major challenges on the diversity of thought, innovations systems and interventions required by HR professionals. It opens up the world for HR to make an impact but also challenges them to acquire, practice and deliver value to each set of stakeholders using multiplicity of technologies and interventions. This challenge is shaped and made complex by a few major forces that are operating today: impact of pandemic on sociocultural behaviours, fast changing geopolitical situations resulting in stronger VUCA world where predictability becomes difficult and short-term goals become more critical than long term mission and vision, technological innovations and in particular developments in AI that changes expectations and innovations at high speed. In a country like India with population around 1.47 billion (18% of the world), HR has around 50 years of conceptualization, dissemination, experimentation, failures, success and practice. This paper draws reflections of these years to draw lessons across the globe.

The Human Resource profession and expectations from it have changed substantially post corona pandemic between 2020 and 2025. The focus on the nature of work has changed in the last five years. Today HRD or human capital development, is considered critical for everyone and is not the job of HR alone. Continuous learning, innovation, and experimentation have become the new focal points of HR. There are some major shifts in various subsystems of HR in the technology-driven VUCA world.

The focus of performance management shifted from objective appraisals to continuous improvements, individual accountability and self-responsibility, performance conversations, and to online or remote coaching for development. The focal points of development are not only the employee as an individual but also the role, dyadic relationships, teams and organization as a whole.

The 360-degree feedback was found to be a great tool to stimulate leadership reflections and development. Management development programs have become global experience exercises for enhancing strategic thinking, business information, customer focus and effectiveness. Competency mapping and competency models have taken center stage in recruitment, onboarding, performance engagement, potential assessment and career building. Assessment and development centers are being used to ensure best fit of employees at all levels.

The significance of culture building for sustainable organizations is recognized and culture surveys and culture building exercises and organization development interventions have become the order of the day. With changing aspirations of the employees and their newly recognized need for affiliation and being with the family have put new pressures of employee mobility. With enhanced employee mobility, employee engagement and attrition become major issues and the great resignation followed, creating new challenges for HR to be on the job all the time to recruit new and capable employees.

Employee engagement has become a new challenge. Systems have a long-term impact while spirit or energy is needed for value addition at work all the time. Balancing human energies at work using systems that have only long-term impact have come under stress for HR. The new challenge for HR is to balance systems and spirit. While developments in technology have come to the rescue of HR which promptly delegated implementation of all uncomfortable HR administration to machines with the advent of high technology, the significance of HR to cater to each individual as an individual increased. Along with this the discovery that diversity needs to be valued at workplace and it is both moral and organizational responsibility to have diversity at workplace added a new challenge to HR profession. Globally diversity management and recruitment of especially abled people and ensuring gender, cultural, and socioeconomic diversity etc., created new challenges.

For HR today six key challenges seem to be faced by CHROs and their teams:

1. **Aligning Top Management:** Getting CEOs and top management to be HR driven in a VUCA World, in spite of clinching evidence that good CEOs are good HR leaders;

2. **Building Capabilities:** Moving HR from administrative mode to capability building mode while administrative practices continue to be technology backed and critical inputs for business;

3. **Effective Performance Management Systems:** Continuous review and update in performance management systems and practices;

4. **Engaging Workforce:** Enhancing employee engagement and work commitment through creation of great experiences at work for all employees;

5. **Stakeholder Management:** Understanding and coping with and changing expectations of various stakeholders including investors, employers, employees, government, customers and the community:

6. **Managing & Leveraging Diversity:** Managing and using cultural diversity and workforce integration for business results besides corporate social responsibility;

In this scenario HR professionals need to have the following capabilities. Some of these came out of our study of 30 Leaders in India (Agrawal and Rao, 2024) and are in tune with earlier work by Dave Ulrich et al (2021) on HR competencies:

1. **Knowledge Capability:** Knowledgeable about their business, organization, country of operations, customer preferences, cultural variables that impact their business (products, sales and service etc.) and socioeconomic challenges faced by the countries as well as the globe that impact their business;

2. **Strategic Partnering:** Be Business driven with understanding of what drives it, strategies for enhancing business and ensuring its sustainability, factors that add value in both tangibles and intangibles ways and both in the short and long term;

3. **Humane Approach:** Be human, empathetic, compassionate, and socially conscious. This has become particularly critical with the threat of Artificial Intelligence (AI)

disrupting normal human life and resulting in employee expulsions and workforce reductions;

4. **Passion for People Development:** Passionate about the people for whom they work and balancing technology and value addition with human spirits,

5. **Action-Oriented** to facilitate and achieve results and at the same time be coaches to maintain and manage employee commitment and health

Some of the Future Tasks for HR

AI Integration

- Integrate AI tools to reduce repetitive work so HR teams can focus on people & feelings.
- Upskill HR teams in interpreting data & working with AI tools.
- Redesign workflows — don't just overlay AI on existing process
- Use HR tech & analytics to monitor attrition, talent availability, skills movement.
- Ensure bias mitigation in AI & hiring.
- Automate/process-optimize administrative HR tasks so HR effort shifts to strategic work.
- Data, Metrics & Strategic HR- Use data to make decisions (e.g., what's working, what to stop).

Skill Classification

- Map out key competencies your business needs now & for future
- Hire & evaluate based on competencies rather than credentials where possible.
- Build internal reskilling / up-skilling programs.
- Use analytics to detect competency gaps & plan strategically.
- Define (and track) metrics around EX, DEI, wellbeing, leadership effectiveness.
- Forecast talent/skills demand over coming years; scenario plan.

Workflow Management

- Design work models (hybrid, flexible hours, remote) that are sustainable.
- Frequent feedback / checkins rather than only annual reviews.
- Improve EVP (employee value proposition) — recognition, growth opportunities, values alignment
- Embed wellbeing & mental health support (beyond just "perks") in culture & policies.
- Ensure transparency, fairness, and communication (especially in assessments).
- Build in flexible workforce strategies (gig/freelancers / contractors) to allow agility.

Leadership Development & Ethical conduct

- Invest in manager training not just on "hard skills" but emotional intelligence, change management, remote leadership.
- Build leadership development programs that are continuous (learning in the flow of work) rather than episodic.
- Equip managers to be culture carriers — they must model values.
- Include inclusion / equity in performance metrics.
- Embed ESG goals in HR strategy (e.g. sustainable HR practices, social impact, and good governance).
- Be transparent with employees about how decisions are made (especially ones influenced by AI or automation).
- Prioritize HR initiatives that align strongly with strategic business goals.

HR Audit, Cost Efficiency & Value Engineering

- Conduct HR audit to evaluate ROI on systems, practices & interventions
- Re-design programs to maximize "return on value" not just cost or simple ROI.

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CHAPTER 58

The 3 C's of Strategic Partnership: What CHROs Must Do to Be Valuable to CEOs and Boards

By Johnny C. Taylor, Jr.

The role of the Chief Human Resources Officer has never been more consequential—or more demanding. Every day, CEOs and boards are grappling with complex, high-stakes questions: How do we compete for talent in a volatile labor market? How do we retain our best people without breaking the business model? How do we protect culture while navigating technological disruption, social pressures, and geopolitical uncertainty?

Amid this complexity, the CHRO sits at the very heart of the enterprise. Unlike other executives whose portfolios are naturally confined—finance for the CFO, technology for the CIO—the CHRO's domain is *people*, and people are in every part of your organization. That reach makes the CHRO uniquely indispensable, but it also sets a high bar. It's not enough to administer programs or deliver compliance. To truly serve the CEO and the board, today's CHRO must embody what I call the 3 C's: Competency, Courage, and Confidante.

These three qualities are not optional. They're the defining characteristics that elevate a CHRO from functional leader to strategic partner. Let me break them down.

Competency: Mastering the Craft and Context

For a CHRO, competency is table stakes. Without it, nothing else matters. The CHRO must be a genuine expert in people and organizational dynamics. That means fluency in talent acquisition; workforce planning; performance enablement; compensation and benefits; and labor relations. But it also means understanding the broader business model: how the company makes money, how markets are shifting, and what the competition is doing.

One of the lessons I emphasized in my book, *RESET*, and elsewhere is that HR leaders must stop apologizing for being businesspeople. Too often, we've defined ourselves by what we are not—we're not finance, not operations, not marketing. But the best CHROs flip that script. They see themselves as business leaders *first*, with deep HR expertise as their differentiator. When I was a CHRO earlier in my career, I made it a priority to learn the P&L, to sit with operations leaders, to ask the CFO questions until I could understand not only the balance sheet but the pressures behind it. That business fluency allowed me to connect HR strategy directly to business strategy, and it earned me credibility in the boardroom.

Competency today also requires data literacy. We live in the age of workforce intelligence. CEOs and boards want insights, not just instincts. The CHRO must be able to speak the language of analytics, to use predictive tools to see around corners, and to distinguish signal from noise in a flood of information. But let's be clear: Data without judgment is not enough. Competency is about synthesizing information—financial, cultural, operational—and turning it into decisions that move the business forward.

Courage: Telling the Truth and Taking a Stand

But competency alone creates limited value. The CHRO must also possess courage—the willingness to speak truth to power, to make unpopular calls, and to advocate for what's right for both the business and its people.

When the pandemic struck in 2020, I remember the fear in boardrooms. The instinct in many organizations was to cut costs immediately and worry about people later. At SHRM, I argued the opposite. Yes, financial discipline mattered. But if we abandoned our people in that moment, we would damage our culture in ways that would take years to repair. So, we leaned into flexibility, transparency, and compassion—and it paid off. That was courage in action: making the case that people strategy was business strategy, even when the pressure to slash was overwhelming.

That's also the essence of courage. A CHRO who only echoes the CEO is not a partner; they're a spectator. CEOs need someone in the room who will challenge their thinking, present the hard truths, and broaden their perspective.

Courage also means standing firm with data. I often tell CHROs: Don't confuse volume with authority. Loud opinions are cheap. What matters is well-grounded conviction. If you've done your homework, if you can back up your perspective with facts, then you must have the courage to hold your ground, even if it risks friction in the short term.

Confidante: Building Trust at the Highest Level

The third C—Confidante—is the most human and, in many ways, the most important. A CEO cannot lead effectively without trusted counsel. The job is relentless. You never stop being CEO. The pressure is immense, the scrutiny unyielding. In that environment, the CHRO has a unique role: to be a safe, trusted confidante.

This is not about flattery or false comfort. It's about trust. It's about being the person the CEO can call late at night, not only to strategize but to vent, to reflect, to test an idea in a safe space. It's about confidentiality—what's said in trust stays in trust. And it's about judgment, knowing when to listen, when to advise, and when to simply provide space for a leader to think out loud.

Boards, too, need the CHRO as a confidante. They want unfiltered insight into culture, succession planning, and leadership dynamics. They want to know not only what the numbers say but what people are feeling. A CHRO who can provide that perspective—honestly, discreetly, and constructively—becomes indispensable at the highest levels of governance.

The 3 C's in Practice: A Case Example

A CHRO at a Global Manufacturing Firm

- ***Competency:*** *Built a data-driven workforce dashboard that linked absenteeism, turnover, and productivity, giving the CEO and board real-time visibility into workforce health.*
- ***Courage****: Challenged the CEO's plan to mandate a return-to-office policy by presenting data on retention risks and proposing a hybrid alternative that preserved culture while retaining talent.*
- ***Confidante****: Established weekly one-on-one check-ins with the CEO, creating a safe space for candid discussion about leadership succession and cultural tensions.*
- ***Result****: The company avoided a talent exodus, boosted engagement, and accelerated its growth agenda—cementing the CHRO's role as a trusted strategic partner.*

The Power of Three

The interplay of Competency, Courage, and Confidante creates a multiplier effect. Competency without courage produces a technician, not a leader. Courage without competency produces noise, not impact. Confidante without competency and courage risks devolving into mere friendship, not strategic partnership. But when all three come together, the CHRO becomes a force multiplier: someone who elevates the CEO, strengthens the board, and drives the entire organization forward.

This is why I often say the CHRO role is the second hardest job in the company, behind only the CEO. It requires intellect and empathy, strategic vision and operational discipline, data fluency and human connection. It's not for the faint of heart. But for those who master the 3 C's, it's the most impactful seat in the C-suite.

Lessons from the Field

When I became CEO of SHRM, we were already a respected organization, but we had untapped potential to grow globally. Expanding beyond the U.S. was not simply about launching new offices or increasing membership. It was about testing whether our culture could scale across borders.

As we planned our first major initiatives in India and the Middle East, I leaned heavily on our CHRO. The financial analysis told one story—market size, projected revenues, operating costs. But I needed to know something the spreadsheets could never show me: Were our people ready? Could our leaders embrace different cultural contexts? Would our systems and values translate across languages and customs?

Those were not abstract questions. They went to the heart of whether SHRM could deliver on its mission globally. My CHRO was the one who helped me answer them, bringing unfiltered insights about our leaders' readiness, identifying where we needed to invest in new skills, and ensuring we were approaching expansion with respect for local cultures.

That is what real value looks like. A CFO can model the numbers, and a COO can design the logistics. But only the CHRO could give me confidence that our people and our culture were strong enough to brave a new frontier.

The Path Forward

So how can today's CHROs raise their game to deliver the 3 C's?

1. **Invest relentlessly in your own learning.** Stay sharp on HR fundamentals, but also on business, finance, technology, and data. Competency requires continuous renewal.

2. **Practice courageous truth-telling.** Prepare thoroughly, master the data, and then speak up—respectfully but firmly—when the organization needs to hear it.

3. **Build trust daily.** Being a confidante isn't about titles; it's about trust earned over time through consistency, discretion, and genuine care.

The age of HR is here. The future of work depends not only on technology and systems but on leaders who can bridge people and strategy at the highest level. That's the calling of the CHRO. And the measure of success, in the eyes of CEOs and boards, is whether you embody the 3 C's.

CHAPTER 59

To Be or Not to Be Part of the Dominant Coalition as the CHRO: Understanding the Political Dynamics of Your Organisation and How to Deal with Them

By Dirk Buyens, Koen Dewettinck, and Silke Van Gansbeke

A question we are repeatedly asked in our HR executive programmes for CHROs is: "How can I increase the impact of my actions?" Or in other words: *"How can I ensure that I am seated at the table when important decisions are made in my organisation?"*

Quite rightly, many colleagues will say: *"Make sure you are part of the executive committee, the board of management or the management committee, and the problem is solved."* Others will argue*: "Speak the language of the business. If you work in an engineering company, express yourself in numbers and facts; if you are working in an FMCG environment, make sure your message is well packaged."*

In our view, both answers are valid, yet neither fully resolve the issue. There are also structural and organisational constraints. Virtually every functional domain aspires to be represented on the executive committee. However, in organisations where this is indeed the case, the executive committee often turns into a kind of parliament in which some members have far more impact than others. As a result, the problem is merely shifted rather than solved.

In this chapter, we will argue that organisations are political entities, that the new organisational landscape has impacted the political dynamics in which one needs to understand the impact of the dominant coalition. We will illustrate that this coalition is linked to the organisational strategy and that finally this has implications for the impact the CHRO has.

Organisations as Political Entities

In management, it is helpful to recognise that politics and political behaviour are an inherent part of organisational life. It is a myth to believe that managers always act rationally. There is nothing inherently wrong with this, provided we are willing to acknowledge it. The newly appointed CEO who wants to demonstrate to the board that he or she can outperform a predecessor, or the entrepreneur's daughter who wants to prove to her father that she can not only take over the business but also grow it further, are examples we encounter time and again.

In addition, we must accept that the line between management and manipulation is thin. Both aim to influence human behaviour within organisations. In fact, one of the more compelling definitions of management, in our opinion, is the following*: "Management is that form of manipulation of which the employee says: 'Dear boss, do that again, I like it.'"* Without this insight, it would be difficult to understand why an employee who works for a very demanding manager who constantly pushes people to their limits might say: *"My boss inspires me; I enjoy working for him or her."*

Some managers are highly demanding and are admired by their employees; others are far less demanding and inspire little followership. This difference has little to do with the intensity of the stretch itself and everything to do with the credibility of the person applying it. Credibility, in turn, is the result of employees' attribution processes and ultimately determines whether managerial behaviour is experienced as *managing or as manipulating.*

The New Organisational Landscape

Why has the question of impact in an organisation become more complex today than in the past? There are two main reasons.

First, many large international companies today are the result of mergers and acquisitions. Each merger or acquisition inevitably produces 'winners' and 'losers'. Closer examination reveals that these winners are not necessarily the most competent or the most motivated individuals. In Darwinian terms, 'survival of the fittest' in this context often means those who are able to adapt best to the political environment are often the winners.

Second, organisations today operate in an increasingly agile context and are therefore flatter and less hierarchical than before. In order to respond more quickly to market changes, decision-making authority is pushed lower down the organisation. One consequence is the expansion of the C-suite. In executive committees of eight to twelve members, we once again observe striking differences in who truly has influence and who does not.

The Dominant Coalition

A concept that helps to make sense of these differences is that of *the dominant coalition*. The dominant coalition can be defined as the group of individuals who, relative to their peers, exert a disproportionate level of influence over organisational decisions. If we imagine an organisation as a cone, we can assume that in every organisation there is an imaginary line running through its centre, cutting across hierarchical levels. Along this line sits a group of people — from the shop floor to the top management — who have significantly more impact than others.

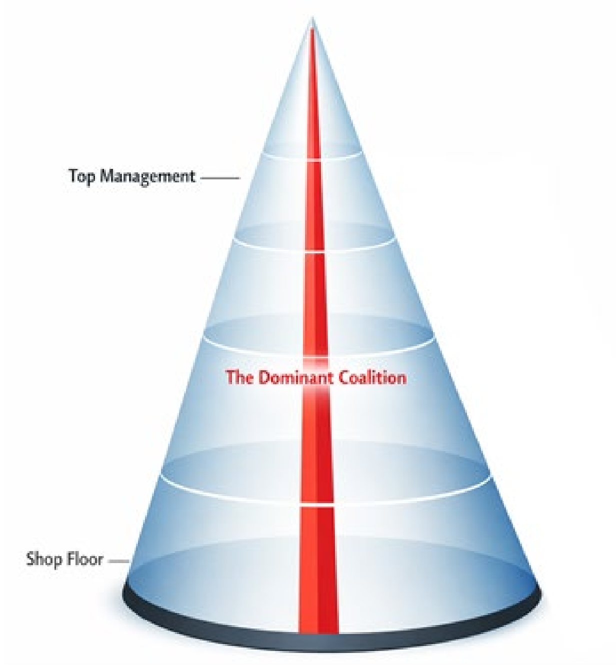

Figure 59.1 The Dominant Coalition

This can be seen as an elaboration of what Edgar Schein described as a third dimension of career evolution (Schein, 1978). Careers may evolve hierarchically (rank), laterally (function), and in terms of inclusion or centrality. From this perspective, every company contains employees who, over time, gravitate towards the centre of decision-making in the organisation.

The Dominant Coalition and Strategy

In practice, dominant coalitions are rarely secretive. Most employees are aware of who belongs to them, and very often it is functionally driven. In engineering firms, the dominant coalition tends to be engineering-led; in FMCG companies, the dominant coalition is frequently driven by marketing and sales. Membership is also shaped by senior managers' appreciation of individual results and working styles. As a result, lower-level or middle managers — or even operational employees — may be drawn into the dominant coalition because their approach resonates with influential actors higher up the hierarchy.

The CEO is always part of the dominant coalition, projected onto it by the rest of the firm. However, the CEO does not always lead the dominant coalition. When a CEO announces a retirement and a succession process is initiated, the CEO often loses his or her perceived leadership of the dominant coalition almost immediately. A power vacuum may emerge as people lower down in the company begin to align themselves with the future successor.

CEO succession can lead to a reshuffling of the dominant coalition. In multinational firms, dominant coalitions may be shaped by nationality, education, or shared external networks.

The CHRO Challenge

For a CHRO, it is crucial to understand what we refer to as the *paradox of the right strategy*. The 'right' strategy is typically one chosen that delivers quick wins soon. Even if an alternative strategy might have produced superior long-term outcomes, this can never be proven. Challenging the dominant coalition on this basis is therefore futile and politically suicidal.

Does the dominant coalition always get it right? In principle, yes — until the moment it no longer does. At that point, it is replaced by a new coalition. The old king is only dead once the new king has emerged. When this transition fails and competing factions fight for dominance, the result is instability. This dynamic can be observed both in large corporations and in small family businesses, for instance when siblings compete for control after the death of their father, the company's founder.

The fundamental question CHROs must ask is: *"How important is it for me to be part of the dominant coalition, and what price am I willing to pay?"* In some cases, CHROs are not aware that they are part of the dominant coalition. It is only on the day the CEO leaves that the CHRO feels that the successor clips his or her wings, resulting in a sudden loss of impact in the organisation.

Being part of the dominant coalition as a CHRO ensures that HR processes and policies are taken seriously when key decisions are made. The downside is that HR may be perceived as less neutral, undermining the role of the credible activist described by Ulrich and colleagues (2017). In this respect, it is often more interesting for a CHRO to aspire to the role of the court jester rather than that of the crown prince. Remaining outside the dominant coalition enhances perceived neutrality but risks HR initiatives being dismissed as mere exercises that aren't taken seriously when it truly matters.

Ultimately, successfully sensing and navigating dominant coalitions requires strong political skills from the CHRO. As Kathleen Reardon argues in her book *The Secret Handshake*, there must be a balance between the degree to which an organisation tolerates political behaviour and one's own personal tolerance for it. Some CHROs are dismissed for being too naïve; others for being overly political. In all cases, dominant coalitions — and how CHROs engage with them — profoundly shape their careers. Purposeful self-management is therefore indispensable.

Conclusion

Coming back to where we started, some argue that CHROs face a positional challenge (am I part of the Executive Committee?). Some argue that CHROs face a communication challenge (speaking the right language to the rest of the team). However, we found that while these are true, they are incomplete. Until CHROs navigate the political nature of organisations, they will continue to be limited in their impact. Understanding the dynamics of the dominant coalition might help them in doing so.

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CHAPTER 60

The CHRO as a Business Leader

By Lucien Alziari and Dana Minbaeva

Abstract

For much of its history, the chief human resources officer (CHRO) role has been framed around stewardship: stewarding employee experience, stewarding culture, stewarding engagement. While these responsibilities remain important, they are insufficient for the strategic demands facing contemporary organisations. In an era defined by persistent uncertainty, technological disruption, and intensifying competition for critical skills, the central question is no longer whether people matter, but how human capital is mobilised to win. This reframing fundamentally alters what the CHRO is accountable for and how the role must be enacted.

When senior executives are asked what the CHRO should be held accountable for, the most common responses focus on employee-centric outcomes: engagement, well-being, inclusion, and culture. These outcomes matter, but they are typically second-order effects rather than the primary dimensions on which organisations compete or succeed. In our conversations, several CHROs emphasised that this framing reflects less a capability gap than an identity question: whether the CHRO understands the role as a functional HR leader or as a business leader with accountability for the organisation's greatest assets - its human capital. This distinction is not semantic. Functional HR leaders tend to position themselves as service providers on the periphery of strategic decision-making, whereas business-leader CHROs claim shared ownership of business outcomes and accountability for organisational value creation.

Crucially, this distinction also operates at the level of ascribed identity: how the organisation, and particularly senior business leaders, perceive the CHRO's role. Our interview data are unambiguous on this point. CHROs who enjoy sustained confidence from CEOs and boards almost exclusively operate as business-leader CHROs. That confidence then cascades through the organisation, shaping how HR is positioned, how talent decisions are interpreted, and how investments in human capital are legitimised.

A useful shorthand for this role conception is the well-known G3 model, which positions the CHRO alongside the CEO and CFO as part of a core decision-making triumvirate. The logic is not symbolic inclusion but functional necessity. Financial outcomes are produced through organisational systems of people, roles, incentives, and capabilities. As we often say, if one enters a room where three C-level executives are debating strategy and it is not immediately obvious who is the CEO, CFO, or CHRO, the G3 model is working.

From this perspective, the CHRO's core accountability is to ensure that the organisation possesses and strategically deploys the human capital required to win. This accountability is inherently forward-looking and outcome-oriented. It requires a shared and explicit definition of what "winning" means, aligned with the board and executive team and grounded in competitive realities rather than internal aspirations or "best practices".

There is no stable hybrid between these two role enactments. Functional HR leadership and business-leader CHRO roles reflect fundamentally different logics of contribution and authority. What we can state with confidence is that top-tier CHROs - those who have earned and sustained the confidence of their CEOs, boards, and executive peers - overwhelmingly enact the business-leader role.

This raises a critical question: what does it take to operate as a fully statured business leader in the CHRO role? In this chapter, we focus on three questions that CHROs who already occupy (or aspire to occupy) this position consistently ask themselves:

- How do we win?
- What must the organisation be truly great at?
- Where does talent make the biggest difference?

In what follows, we unpack these questions and outline the logic that connects them.

How do we win? Strategy first

For decades, the HR function has been urged to become "more strategic." Early work framed this primarily as a matter of strategy implementation, reinforcing the treatment of HR, alongside IT or Communications, as a support function adjacent to strategy rather than embedded within it. This logic reflects a legacy of "last-century models" that distinguish between "core" activities responsible for value creation and "support" functions that enable them, a distinction that sadly continues to shape expectations and priorities today (Minbaeva, 2021).

Business-leader CHROs reject the implementer framing. They participate fully in strategy formulation, actively probing the talent and capability implications of alternative strategic scenarios. Several CHROs described their core contribution as pressure-testing choices early: what is feasible given current capabilities, what would require capability-building, and what opportunities are being missed because the organisation is not examining strategy through a human-capital lens. The most advanced CHROs went further still, identifying business opportunities that became viable precisely because of the organisation's resident talent and capabilities.

Critically, this strategy-first orientation also requires a shift in how strategy itself is understood. Business-leader CHROs do not treat the organisation as a self-contained entity merely responding to external market forces. Instead, they see it as part of a wider, evolving ecosystem of customers, partners, technologies, and internal units whose actions shape one another over time (Minbaeva, 2005a). In practice, the shift begins with disciplined attention to a simple question: where does the organisation choose to play, and how does it intend to win? One CHRO, reflecting on a career spanning consumer goods, beauty, industrials, and financial services, noted that moving across industries forced the development of a level of strategic literacy required to answer that question - one that many HR leaders never fully acquire. Each context demanded a different understanding of the drivers of value creation, and with it the realisation that practices effective in one organisation often proved irrelevant, or even counterproductive, in another.

For the CHRO operating as a business leader, this reframes the winning question. Winning is not about optimising internal HR systems. It is about enabling the organisation to win where it has chosen to play by configuring, mobilising, and coordinating human capital in the activities and roles where value is actually created. This is where the strategy-first orientation of the business-leader CHRO becomes visible in practice: not through aligning business strategy with functional KPIs, but through concrete influence over what the organisation chooses to do (and chooses not to do).

What must the organisation be truly great at? Capabilities as the Bridge Between Strategy and Talent

Strategic intent alone creates no value. What matters is the organisation's ability to translate intent into action: repeatedly, reliably, and at scale. Capabilities therefore form the critical bridge between strategy and outcomes, shaping not only what the organisation can execute today, but also which strategic options remain open tomorrow (Birkinshaw et al., 2016).

Capabilities are not abstract aspirations or static skill inventories. They are patterns of coordinated activity that emerge from the interaction of people, roles, processes, technologies (increasingly AI), and organisational infrastructures. From this perspective, the business-leader CHRO's task is not to catalogue individual competencies, but to understand which combinations of human capital enable the organisation to deliver value where it has chosen to play and how it intends to win and which gaps constrain strategic choice. Crucially, organisations cannot be excellent at everything (Frei and Morriss, 2012). Strategic leadership therefore requires explicit choices about where excellence is essential and where it is not (Alziari et al., 2020).

One CHRO articulated a three-tier logic that brings unusual clarity to this calibration challenge. Certain activities must meet industry standards to avoid competitive disadvantage, but excellence in these areas does not create advantage. Payroll administration was a canonical example: being worse than peers is fatal; being better does not help you win. A second category includes activities where "good is good enough". Attempting to make these areas world class introduces unnecessary cost. Strategic discipline requires accepting adequacy where differentiation does not matter. Finally, only a small number (typically two or three) capabilities must be world class. These are the capabilities that directly enable winning. Where a capability must be world class, talent in that domain must also be world class, because this is where human capital makes a disproportionate contribution to outcomes.

For the business-leader CHRO, this capability logic translates into a set of concrete leadership responsibilities. It requires insisting on explicit trade-offs about where the organisation must be world class, where "good enough" is sufficient, and where standardisation or outsourcing is the rational choice. It also requires aligning talent investment, leadership attention, and governance mechanisms with those choices. When capabilities are treated as the unit of analysis, conversations about talent shift from abstract debates about skills shortages to focused decisions about where the organisation will concentrate its scarce attention, resources, and development effort (Alziari, 2017). This is the point at which the CHRO moves from supplying talent to shaping the organisation's strategic focus.

However, capability choices alone are not enough. Capabilities do not exist independently of the people who enact them, nor do they emerge automatically from hiring or training decisions. The critical question for the business-leader CHRO is therefore not how many talented individuals the organisation employs, but where talent makes the biggest difference to capability performance. Answering this question requires moving beyond a focus on people as individuals and towards a human-capital perspective that emphasises complementarities and synergies between people and firm architecture (Minbaeva, 2025a). This is the focus of the third question.

Where does talent make the biggest difference? Redefining Talent Through Critical Roles

Talent is not evenly distributed across the workforce; it is role-specific and outcome-contingent (Collings and Minbaeva, 2021). The most rigorous CHROs described translating capability priorities into a small set of critical roles, often no more than twenty to twenty-five, that largely determine whether the organisation wins or loses (Boudreau & Ramstad, 2007).

Identifying critical roles (or "pivotal positions" in Minbaeva and Collings, 2013) shifts talent strategy from aspiration to execution. It enables explicit performance thresholds for roles that matter most, while recognising that other positions are developmental by design or require decisive movement when performance falls short. Several CHROs noted that this level of discipline, while uncomfortable, has long been standard practice in private-equity contexts, where roles are directly tied to value creation and outcomes are tracked closely. Regular review of these roles with the CEO and executive team keeps strategic attention focused where it matters most. This is not an HR exercise, but a business review conducted through a talent lens, positioning the CHRO at the intersection of strategic ambition and organisational feasibility.

The distinction between functional HR leadership and business-leader CHROs becomes especially clear in how they approach skills and technology. Functional HR leaders typically respond to change through broad upskilling and reskilling initiatives, treating talent primarily as a skills-supply problem and AI as a workforce adaptation challenge. Business-leader CHROs start from a different question: where do technology and talent *jointly* create disproportionate value? Skills development remains important, but it is targeted at critical roles and capability bottlenecks rather than rolled out indiscriminately. In the same vein, AI is treated not as a reskilling imperative but as a strategic lever reshaping work through task allocation, role redesign, and augmentation, and clarifying where automation creates efficiency and where human judgement, creativity, and coordination create advantage (Minbaeva, 2025b) In this framing, the CHRO's role is not to defend jobs against technology or to run generic AI programmes, but to orchestrate talent–technology interaction in the organisation's most critical capabilities (Nyberg et al, 2025). When done well, AI does not displace humans; it raises their strategic value by amplifying contributions that only humans can make and, in doing so, creates a system of complementarities that expands the organisation's strategic options and, ultimately, how it wins.

Conclusion

This chapter has argued that operating as a fully statured business-leader CHRO requires a fundamental shift in role logic: from supporting strategy to shaping it, from managing people to architecting human capital, and from reacting to (technological) change to directing it. The three questions that structured the chapter - how do we win, what must we be truly great at, and where does talent make the biggest difference- are not analytical exercises but leadership disciplines. Together, they reposition the CHRO as a co-owner of organisational value creation, responsible for aligning strategic intent, organisational capabilities, and talent-technology complementarities in ways that expand the organisation's capacity to win. When these questions are addressed rigorously and in sequence, human capital ceases to be an outcome to be managed and becomes a strategic resource to be mobilised, shaping not only what the organisation can execute today, but what it can credibly pursue tomorrow.

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CHAPTER 61

How to Develop Executive Presence as an HR Leader

By William J. Conaty and Dave Ulrich

As we have seen, the HR agenda become increasingly connected to business, HR professionals attend meetings, engage and shape conversations, and design programs with impact. To do so, they need to acquire an executive presence that ensures their credibility and ability to influence.

What Is Executive Presence?

Developing executive presence matters for anyone aspiring to leadership opportunities and shows up as mindset, courage, influence, and impact. Executive presence is how one is perceived and received by others (e.g., build others' confidence in oneself), how one captures energy and passion (e.g., inspire commitment), and how one helps others to increase their capacity (e.g., use personal power to empower others). Executives who have "it" capture attention when they formally present or informally connect. Those who spend time with leaders who have "it" leave the interaction feeling better about themselves as a result of the connection. Most know executive presence when they experience it, but they sometimes have a hard time specifying how to develop it in themselves or others.

How does one build Executive Presence?

A number of competency checklists exist that help one develop executive presence. Let us suggest putting this shopping list into a menu or framework that applies to executive presence but also has application in many arenas: improving overall mental health, supporting adolescent progression, and creating "the corporate athlete." Figure 1 lays out five domains of personal and holistic well-being that frame how to develop executive presence; let us offer specific suggestions in each domain for oneself and those one coaches.

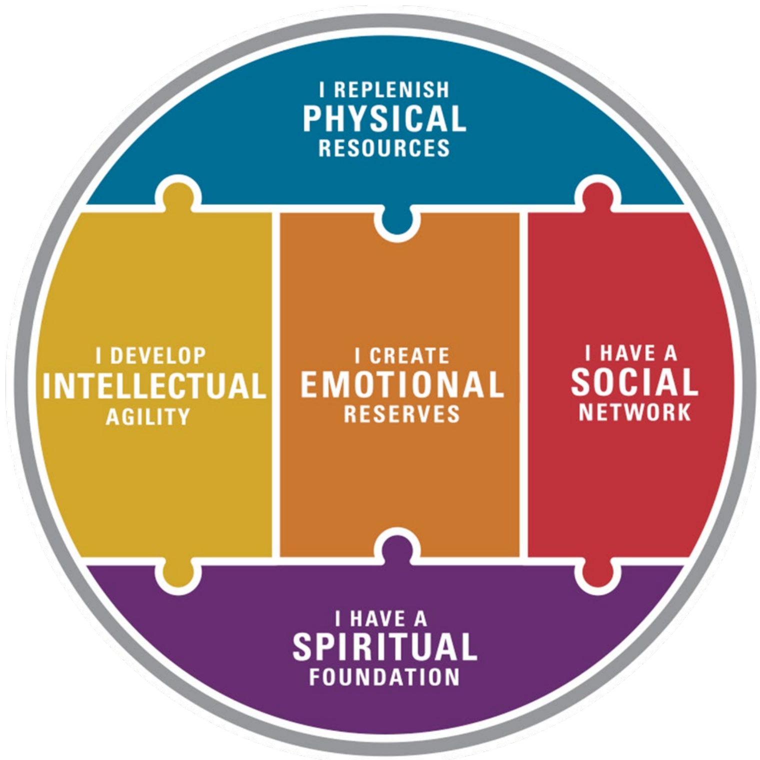

Figure 60.1 Five Domains of Personal and Holistic Well-Being That Build Executive Presence

Physical Resources

Manage Appearance

First impressions often come from in-person nonverbal signals sent by personal grooming (clothing, hair, makeup appropriate to situation), workspace (pictures on desk or wall, books, office layout) and style of how one enters a room (quietly, timing, where to sit or stand). In today's world, digital signals come from how we show up on social media (virtual background, tone of comments, willingness to engage virtually). We should observe ourselves as others might see us.

Be Attentive

Giving another person attention comes when one manages body language (eye contact, posture), energy (enthusiasm, passion, tone of voice), time (available and accessible), and support (willing to help others as needed or requested). This includes reaching out personally to an individual based on his or her circumstance (health, anniversary, activity) to show personal attention. HR executive presence means looking after people (e.g., leaders) who take care of others.

Social Network

Engage With Others

Those with executive presence engage others by knowing their background, personal lives, and aspirations. Relating to and connecting with others regardless of their role or title increases our breadth of connections. In addition, executive presence comes as we appreciate that others may have different views, encourage those views, hear them, then be willing to move forward with confidence. By so doing, we help others recognize how their goals can be met with or through our leadership.

Communicate With Clarity

Executive presence shows up in communicating, being both caring and candid, sharing credit in success (Teflon) and taking responsibility in failure (Velcro), actively listening and boldly inspiring, sharing personal stories, and articulating organizational visions. In meetings, we can increase executive presence by participating thoughtfully by asking others their views, supporting comments, summarizing ideas, and then being willing to make and communicate decisions. By so doing, we are not just problem identifiers, but solvers.

Emotional Reserves

Demonstrate Emotional Intelligence

Emotion means having passion about work by not just doing a job but having a sense of purpose or calling. People can feel when HR leaders bring emotional intelligence into their work. Emotional intelligence comes from knowing oneself: strengths, weaknesses, predispositions, vulnerabilities, biases, and mindset. By knowing ourselves, we are more likely to be calm in crisis, confident without arrogance, and patient and empathetic with ourselves and others—exuding that executive presence.

Be Authentic and Develop Trust

HR executive presence ensures credibility with others. This credibility comes through transparent communications, being the conscience of the organization around values, and managing passion for the business and compassion for others. We demonstrate executive presence by being authentic and developing trust by being trustworthy and trusting. Being trustworthy comes from our being credible, dependable, predictable, and reliable. Trusting means that we empower others to make decisions and act for themselves even if they don't fully agree with us. Trust that builds presence also includes follow-up on holding ourselves and others accountable.

Intellectual Agility

Be Curious and Learn

HR executives need to be "smart" which is not just IQ, but being able to know the business by thinking broadly about issues, defining problems clearly, exploring options to solve them, prioritizing actions, relying on both data and instinct, and balancing the economic and human agenda. Learning comes from a growth mindset that encourages being open to new ideas. This means knowing the past and what has been done that works and does not, but focusing more on the future and what can be done. Curiosity also means not being defensive and closed but inquisitive and open when challenged: asking more questions than giving answers. Learning that builds executive presence also shows up in vulnerability—being willing to admit and run into inevitable adversity and mistakes that can be opportunities for growth.

Turn Aspirations into Actions

Executive presence means navigating the paradoxes of both vision and action: anticipating what can happen next and having the discipline to act on what is happening now. Seeing around corners helps us envision the future; but then we need to move around the corner to give others confidence in our ability to get things done today. As we move into executive ranks, our views become broader, longer-term, and increasingly focused on where to go and how to get there. Turning aspirations into actions also requires the courage to make differentiated and tough decisions. Mediocrity avoids tough calls; meritocracy requires making tough calls.

Spiritual Foundation

Create a Meaningful Future

Executives with presence are meaning makers who shape an organization's purpose (mission, vision, values), creating meaning for all those who engage with the organization (employees, customers, investors, communities). This abundant organization emphasizes personal flourishing and a supportive work environment by focusing on timeless principles around sustainability, philanthropy, gratitude, and mindfulness (lived out in daily practices).

Model and Live Values

Executives with presence live the organization and their personal values. Their daily actions reflect what they believe and is evidenced by those they spend their time with, what questions they ask, what information they rely on, and how they make decisions. They do not become a leadership hypocrite whose talk does not reflect their walk; indeed, they teach leadership and sometimes use words. They turn values into performance with clear accountability.

Conclusion and Implications

The diagnostic in figure 2 helps business and HR leaders identify how to improve their executive presence. After assessing one's current state, leaders can pick two to four of the ten suggestions to prioritize and improve.

Suggestion	**Diagnostic and Action** To what extent do I:	Assess Low 1 High 10	Pick 2–4
Physical Resources			
1 Manage appearance	Pay attention to my personal grooming, workspace, and work style both in-person and on social media?		
2 Be attentive	Manage my body language, energy, time, and support as I interact with others?		
Social Network			
3 Engage with others	Engage others by knowing and caring about them, respecting their differences, and helping them reach their goals?		
4 Communicate with clarity	Communicate with others: caring and being candid, sharing credit and accepting responsibility, and participating thoughtfully?		
Emotional Reserves			
5 Demonstrate emotional intelligence	Demonstrate emotional intelligence by knowing myself, caring for others, and being confident without arrogance?		
6 Be authentic and develop trust	Develop trust by being trustworthy and trusting as well as following up for accountability?		
Intellectual Agility			
7 Be curious and learn	Encourage a growth mindset by being curious and committed to learning?		
8 Turn aspirations into actions	Navigate the paradoxes of vision and action, looking back and moving forward, and zooming out and zooming in?		
Spiritual Foundation			
9 Create a meaningful future	Become a meaning maker by focusing on purpose, values, and meaning?		
10 Model and live values	Live the values of my organization and myself in daily actions?		

Figure 60.2 How well am I doing my executive presence?

CONCLUSION

CHAPTER 62

The Age of HR: Navigating the Path Forward

By Anthony J. Nyberg, Rebecca R. Kehoe, Dave Ulrich, and Patrick M. Wright

We began this book by declaring that we are at an inflection point—a moment when business is changing. After reviewing the remarkable insights in these chapters, we are even more convinced that the Age of HR is now. The vitality of any profession depends on the freshness of its ideas and the courage to act on them. The 83 thought leaders featured in this volume are these kinds of innovative thinkers who have the courage to take the bold actions the moment demands.

At a time of unprecedented technological disruption, demographic shifts, political polarization, and redefined expectations around work itself, HR professionals have greater opportunities than ever for influence, and greater responsibilities than ever to lead. However, seizing those opportunities requires more than incremental improvement. It demands a fundamental reimagining of what HR is and does. As the essays in this book demonstrate, this transformation is underway—led by practitioners, scholars, and advisors who recognize that HR leaders are a critical source for driving change and ultimately business success.

For decades, advocates and critics alike have noted the gap between HR's potential and its performance. What makes this moment different is not just the urgency created by external forces, but the clarity of the path forward. This book models how to move from rhetoric to real progress through a four-stage logic that connects environmental awareness to business contribution, human capability delivery, and personal mastery.

Challenges in the Age of HR

While the four-stage framework provides the architecture for this book, five powerful challenges to business cut across all stages, revealing the deeper transformation underway.

The AI Transformation

AI and human ingenuity are complementary, not competitive. AI handles *"what happened"* questions through objective data and analytics, while humans address *"why it happened"* through experience and wisdom. AI converges on the predicted best answer when the question is well defined; humans, when using critical reasoning and sound judgement, diverge to solicit more opinions and navigate ambiguity where no single answer exists. AI provides parity—doing what others do with talent. Humans create advantage—differentiating through talent. When AI automates administrative tasks, it creates capacity for strategic work. HR must embrace AI as a lever for elevation. However, there are substantial challenges that must be overcome to optimize the integration of AI into the workforce. For instance, in HR there are challenges with AI transparency, leading employees to view AI as a replacement or as surveillance, resulting in reduced employee motivation to experiment or innovate.

Beyond trust issues, there exists a fundamental skill versus judgment gap. As AI democratizes technical capabilities, the challenge shifts to defining where human judgment remains an advantage and establishing the ethical guardrails needed to guide AI deployment. Companies will fail if they simply overlay AI onto outdated processes rather than seizing the opportunity to redesign work. There is also a hidden risk: as AI takes over routine tasks, employees lose the hands-on experience that builds the very expertise we depend on for judgment. A recruiter who never screens resumes may never develop the intuition to know when an AI's recommendation misses something. Without deliberate investment in employee learning and development, organizations will hollow out the foundational knowledge that makes human judgment valuable in the first place. Compounding these challenges is the reality that many firms lack the culture of psychological safety and learning-first mindset that serves as a prerequisite for optimizing value from new opportunities, such as AI, leaving them unprepared to take full advantage of this potential transformation.

From Activity to Value Creation

As Ulrich notes in the introductory chapter, the shift from measuring HR activity to measuring stakeholder value is captured in two words: so that. Implement GenAI **so that** decisions improve. Build leadership bench so that market confidence grows. Create a skills-based organization so that customers experience a differentiated offer. Those two words reframe every HR initiative from an internal project to an external outcome. This outside-in orientation fundamentally changes how HR proves its worth. HR becomes predictive rather than reactive, strategic rather than administrative.

A challenge facing HR stems from the perception that HR is disconnected from the company's financial model and market realities, contributing to a boardroom disconnect where weak CHROs, despite having a seat at the table, disappoint Boards by speaking in "HR-speak" rather than addressing core governance risks like succession planning and strategic workforce capability with the clarity and data that executives demand. HR must demonstrate direct impact on shareholder value, or risk being sidelined or automated as a cost center.

Trust, Transparency, and the Human Crisis at Work

Multiple chapters document the human crisis at work—exhaustion, anxiety, and declining trust. The response requires both structural changes and cultural transformation through leadership vulnerability. The AI Disclosure framework argues that transparency about AI's impact on jobs is one way to close the trust gap. Similarly, Cascio's chapter on return-to-office transitions emphasizes active listening rather than mandates. The through-line is clear:

sustainable performance requires sustainable people, and that demands HR to champion well-being.

The continuous changes organizations are demanding along with the "infinite workday" creates a challenge for employees who crave stability and clarity. A key challenge for HR leaders is developing a culture with the capacity to adapt repeatedly without exhausting the workforce or breaking the psychological contract between employers and employees. This challenge is compounded by employee exhaustion driven not just by workload, but by leadership mindsets and rigid work structures, such as the traditional 5-day week, that have failed to evolve alongside technological capabilities.

Keeping everyone moving forward.

The traditional view of managing full-time employees within the four walls of an organization has become obsolete, replaced by what leaders call the "Adaptability-Alignment Paradox" or the need to maintain coherence across a dispersed ecosystem of employees, gig workers, partners, and even AI agents. This shift demands that HR move from managing "inventory" in the form of headcount to maximizing "connection density" and knowledge flow in a networked economy. The challenge lies in building governance architectures that allow for distributed experimentation and variation across boundaries while simultaneously using AI and other tools to maintain alignment, selection, and retention of what works across this complex ecosystem.

Compounding this challenge is the need to adapt to the "100-year life," where traditional linear careers are giving way to multi-stage working lives characterized by a rapidly shrinking half-life of skills. HR must redesign career frameworks to support continuous unlearning and reskilling across decades, recognizing that workers will likely navigate multiple career phases, industries, and working arrangements over their extended lifespans. This demographic and longevity shift fundamentally transforms how organizations must think about workforce development, making lifelong learning not just a nice-to-have but an operational necessity for maintaining a capable, adaptable workforce ecosystem.

Leadership capability deficit.

A profound gap exists in the leadership capability required to navigate today's fundamental workforce shifts, leaving leaders largely unprepared to lead hybrid teams, manage human-AI collaboration, or exercise the "holistic leadership" that balances multiple stakeholder needs effectively. Leaders could benefit from enhancing what Taylor calls the "3 C's" of Competency, Courage, and Confidante. This capability deficit undermines HR's ability to position itself as a credible business partner,

Adding to this challenge is the cultural fragmentation that occurs as organizations grow and disperse across geographies, work models, and workforce types. Maintaining a unified culture becomes increasingly difficult in this context, particularly when performance systems continue to heavily incentivize results—*the what*—while neglecting to reward behaviors—*the how*—creating a disconnect between stated values and actual practice. Further complicating matters are the political dynamics within organizations, where the dominant coalition may not take HR initiatives seriously, leaving even well-conceived strategies struggling for the organizational buy-in and resources needed to succeed. This combination of fragmented culture and political obstacles creates an environment where HR faces an uphill battle in driving meaningful change.

Age of HR: From Challenges to Solutions

This book has implications at four levels: the business, the HR profession as a whole, HR departments and functions, and for individual HR professionals.

The Business. The new paradigm insists on shared accountability for human capital. Line leaders own business results and therefore own the talent, leadership, and organization choices that create those results. HR partners bring expertise, but primary ownership sits with the business. For HR professionals, this means doing the basics brilliantly while tying every practice to stakeholder outcomes, coaching leaders, facilitating transformation, and speaking candidly about what helps or hurts value creation. This diffusion of accountability strengthens HR's role by making HR's impact systemic rather than episodic, and makes clear that the business is strengthened by HR being a clear and strong driver of business success.

The HR Profession. We envision—and this book models—a profession moving into transcendence. The remarkable collaboration evident in this volume, with CHROs, industry associations, academics, and consultants contributing without financial compensation, demonstrates what becomes possible when the field prioritizes progress over positioning. When the HR profession operates in this transcendent state, all stakeholders benefit.

HR Departments. HR departments must learn to collaborate beyond traditional boundaries. By partnering with marketing, HR gains access to consumer trends and can build stronger employer brands. Collaboration with finance enables more rigorous analytics and clearer return on HR activity. Partnership with IT builds better systems to access information, while collaboration with strategy helps craft the mission to drive organizational success.

Critically, the HR function must rigorously and broadly measure its own effectiveness. HR should track not just process efficiency but business impact—revenue per employee, talent readiness for strategic initiatives, culture strength relative to competitors, leadership bench depth, and stakeholder confidence in human capital. These metrics shift HR conversations from inputs to outcomes, from activities to value.

HR Professionals. This final section is written directly to the aspiring HR professional. We have coached many executives through career transitions and personal development. In those sessions, conversations are often organized around three fundamental questions.

Question 1: What Do You Want? Be clear. Knowing what you want captures your desires, clarifies success measures, focuses attention, ensures passion, and builds resilience. As an HR professional, what do you most want from your career? Influence? Impact? Autonomy? Respect? Define what you want by recognizing your strengths and passions. What challenges do you enjoy solving? When were you most energized? Be realistic—are your passions consistent with your abilities? Successful HR professionals are often silent partners whose influence comes from ideas with impact more than visible positions with status. Show grit—resilience and perseverance predict success better than IQ or EQ.

Question 2: Whom Do You Serve? Research shows that people who care about people are 60 percent more likely to be promoted. Those who give more and serve more make more money and are happier. As an HR professional, repeatedly ask: Who can I help today? What can I do for someone else? When contemplating those you serve, realize the answer includes people inside the organization—employees and managers—and outside—customers, investors, and communities. The best HR professionals answer: the customers who buy our products, the investors who fund our growth, and the communities we impact. Think outside-in to deliver long-term value to all stakeholders.

Question 3: How Will You Learn and Grow? The shelf life of knowledge has never been shorter. AI, workforce ecosystems, policy changes, stakeholder expectations—all evolve faster than traditional development cycles. Continuous learning is not optional; it is existential. Learning must be multidirectional. Learn from thought leaders, practitioners, and your own experiments. Build policy fluency, develop business acumen, cultivate political savvy, strengthen executive presence. Most importantly, create the conditions for your own well-being. Practice curiosity, set boundaries, express gratitude. You cannot pour from an empty cup. Self-care enables service to others over the long term.

CONCLUSION: THE AGE OF HR IS NOW

We titled this book The Age of HR because this is HR's moment. Not because HR has finally arrived or proven itself, but because the world desperately needs what HR can provide: the ability to create value for all stakeholders through human capability.

The four-stage framework provides a roadmap. Start with environment context—understanding the external forces shaping your business and thinking outside-in. Progress to business agenda—becoming an enterprise leader who contributes to strategy and financial results. Master human capability—delivering excellence in talent, leadership, organization, and the HR function itself. And, invest in personal growth—building the resilience, credibility, and political savvy required to sustain influence over the long term.

The themes that cut across these stages point toward a fundamentally different HR: one that integrates AI with human ingenuity rather than fearing technological displacement, one that measures value creation for stakeholders rather than activity levels, one that rebuilds trust through transparency and well-being rather than ignoring the human crisis at work, and one that shares accountability for people outcomes rather than hoarding responsibility.

This transformation will not happen automatically. It requires the HR profession to transcend, turf battles for collaborative progress. It requires HR departments to build cross-functional partnerships and measure business impact with the same rigor applied to any other function. And it requires individual HR professionals to clarify what they want, commit to serving all stakeholders, and dedicate themselves to continuous learning and growth.

The 83 thought leaders in this book have shared their thinking without compensation because they believe in a higher purpose: developing value for all stakeholders and impacting lives through HR work. Their generosity models the collaboration the profession needs.

We hope this book inspires you to action. Not incremental action, but transformational action. Not activity that keeps you busy, but value creation that makes a difference. Not HR for HR's sake, but human capability that serves employees, customers, investors, and communities.

The Age of HR is not coming. It is here. The question is will the HR profession and HR professionals seize the opportunity? The world is watching and needs guidance. Your stakeholders are waiting. And the future of your organization depends on what you do.

Welcome to the Age of HR. Let's get to work.

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William J. Conaty

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Tim Hourigan

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Tom Plath

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Ola Snow

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