

21st Century HR - The three big shifts needed for the future

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I am convinced that in the 21st-century talent management will be the key differentiator of successful organizations. Within a couple of decades, no matter what measure you use, those with the most advanced approach to the recruiting, development, and retention of talent will outperform those who lag behind.

It's a bold prediction, and there are two fundamental reasons for it. First, we are going through a disruption of work and talent the scale of which we have never seen before in history – and those who try to navigate it blindly will struggle. Second, with the vast majority of human resources functions currently playing a service-provider role – reacting to events rather than attempting to get ahead of them – the opportunity is there to step up substantially in talent management capabilities. With the right vision and investment, human resources can take the strategic lead in helping businesses navigate the disruptive chaos we find ourselves in today.

HR must adapt

Be in no doubt that we find ourselves in an unprecedented period of disruption of work. The economics speak for themselves. In the US for example, [GDP per worker has doubled](#) since the mid-70s while real wage has remained almost exactly the same. The last time we saw these types of figures were in the late 18th and early 19th centuries, but today's figures make that Industrial Revolution look pretty tame. There's also no clarity on when this disruption will end, even though it's been happening for about 40 years. When we hear Google's [Duplex](#) making a telephone call to a human to make a restaurant appointment, or [China's latest newsreader](#) promising us that he will improve with better programming, it feels like it is only just beginning.

This disruption is playing out primarily in the talent space. The [McKinsey Global Institute](#) expects it to manifest itself not in the loss of jobs, but in the movement of talent. With around 50% of all work activities being automatable, the earliest and most likely projections see as many as 200 million to 300 million people globally moving jobs by the end of the next decade.

As we look to a future where we see a more fast-paced movement of talent, organizations will need to better understand their skills needs and to better recruit, develop and retain those who fill those needs. Without such understanding, critical capabilities and skills will be lost, succession planning will become a nightmare, overall employee performance will decline and so will its contribution to the bottom line.

My belief is that HR requires three major structural and cultural changes to take its rightful place as the lead function in helping organizations successfully navigate the technological revolution.

Less service, more strategy

The CHRO of the future needs to lead a function that not only provides a service to the business but has the capabilities to solve the strategic talent questions that organizations increasingly need answers to. While organizations will have their own specific strategic contexts, many will be grappling with some common imperatives:

- Understanding the relationship between jobs and skills, and better measuring skills at a person, organization, and market level.
- Measuring and understanding the impact of new technology on the workforce in terms of performance and productivity and also in terms of happiness and health.
- Finding efficient ways to source and identify talent in increasingly fast-moving and competitive environments, as well as matching that talent to the roles that best fit their unique mix of skills and abilities.

To play this role, HR functions will need to be structured more flexibly. Specialized and focused silos will need to (at least partly) give way to broadly deployable capabilities to address key strategic questions that affect all parts of the employee lifecycle. Injections of new skills such as psychometrics, labor economics, or even epidemiology, or anthropology may be required to address some of these strategic imperatives with the appropriate level of cross-functional expertise.

Analytics to shape HR strategy

Data and analytics should play a key role in shaping HR strategy in the future. The past 20 years or so has seen a transformation in our ability to capture data related to talent, and the data science revolution has resulted in substantial technology and methods with which to analyse and understand that data.

Despite this, it seems that being more data-driven is still the biggest hill that HR has to climb. A [2016 survey](#) indicated that only about one-third of HR departments feel ready to use analytics, and almost none are analyzing data using any form of advanced methodology. With over 70% of HR leaders agreeing that better analytics represents a major opportunity, it seems that in many cases it is a struggle to move the needle. This lack of progress has led the [Corporate Research Forum](#) to conclude that more than half of HR functions are very limited or worse in their ability to use data in their decision-making.

With organizations like Microsoft, Google, McKinsey, and Intel leading the way in successfully establishing talent analytics capabilities that contribute substantially to an increasingly strategic HR function, it's clear that being more analytically driven is not an impossible challenge – but for most, it requires deep cultural change. HR professionals need a greater willingness to embrace data and work with data professionals. A [higher level of general math skills](#) will be required across the function to better enable data-driven discussions, and "business translation" capabilities will be necessary to bridge

the gap between the data professional and the talent professional.

Less process, more problem-solving

This brings me to what I believe is the key enabler of all this – the strategic HR professional of the future. While there will always be a need for highly experienced recruiting and development professionals who can execute and manage these processes effectively, there is an increasing need for individuals who can apply themselves to problems, not processes.

HR needs an injection of analytically-driven, strategy-minded professionals with a passion for all things talent. Successful HR functions of the future will have these types of individuals in much greater numbers. They will act as a translator of the business question and a manager of the problem-solving around it, working across the function harnessing the specialized expertise embedded therein, bringing it all to bear on the problem.

The current shortage of these individuals is in my opinion the missing piece of the puzzle. It's not because these people don't exist, but more because traditional routes through education and employment have not encouraged talent strategy as a career option worthy of pursuit. That needs to change, and quickly.

Moving the needle in these ways represents a tremendous opportunity for the HR function to forge a path through the chaos of the tech revolution and to establish itself as a key contributor to organizational development and future business performance. To my mind, this is not a vision for the future. It's today's greatest priority.

The post "21st Century HR - The three big shifts needed for the future" was first published by Keith McNulty here <https://www.linkedin.com/pulse/21st-century-hr-three-big-shifts-needed-future-keith-mcnulty/>

About Keith McNulty

I lead McKinsey's People Analytics and Measurement function. Originally I was a Pure Mathematician, then I became a Psychometrician. I am passionate about applying the rigor of both those disciplines to complex people questions. I'm also a coding geek and a massive fan of Japanese RPGs.

All opinions expressed are my own and not to be associated with my employer or any other organization I am connected with.

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