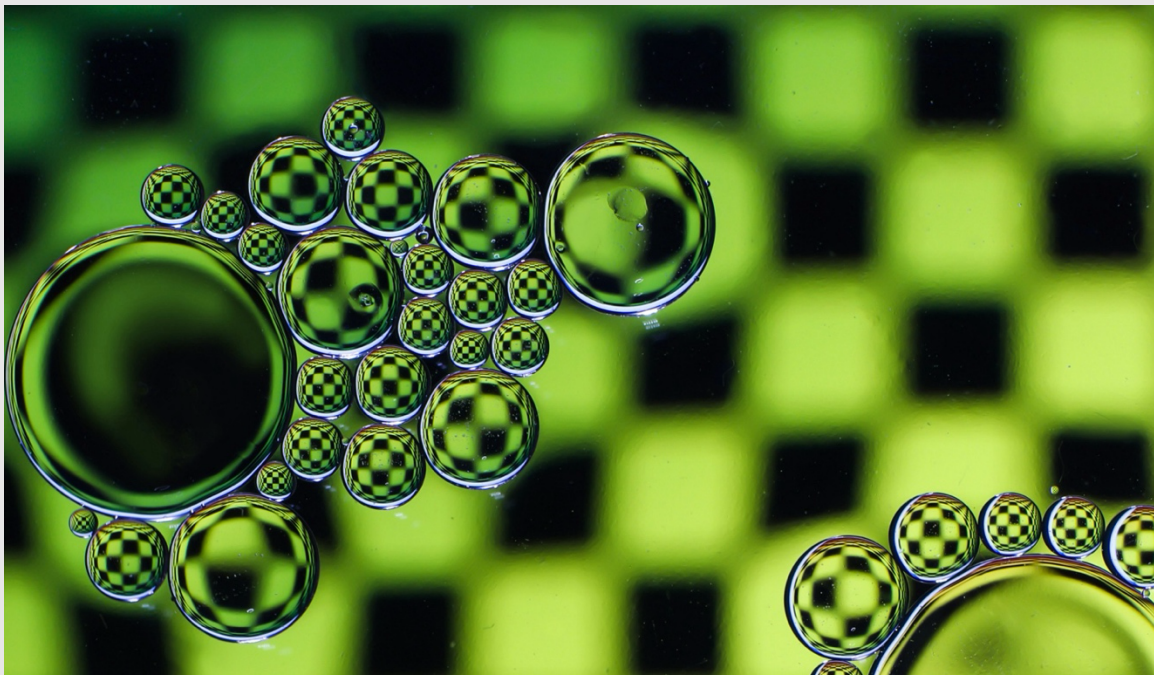


SQUARING THE CIRCLE

Why the old promise of P&O transformation –
more for less – can finally be fulfilled.



Volker Jacobs

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A QUICK INTRODUCTION

For decades, companies were trying to square the circle and deliver 'more for less'. They called it 'HR Transformation' or new, 'P&O Transformation'. The promise: We will provide more business value at lower P&O (People & Organization) function cost. They largely underdelivered – sometimes on the cost side, and often on the business value side. With all the buzz about AI and digitization and in the light of rising expectations for better work experiences, is there finally a way to fulfill the promise of 'more for less'?

We believe, yes. It resembles a value chain worth testing: With transformation focus moving from 'process' to 'data', we not only build a data lake that enables better people decisions or free the P&O function from cumbersome manual analyses of people topics. In addition, we can use and need data to train and deploy generative AI. With effective, generative AI, P&O transformations can deliver a better, friction-free work experience for managers and employees. With a friction-free experience for managers and employees, we enable higher productivity and engagement levels. And it goes without saying that with AI taking on P&O tasks we can reduce cost of the function: More for less. Squaring the circle. Three ingredients: Data, AI, and EX.

This is too good an idea to not explore more deeply.

UBIQUITOUS CHANGE, AI, AND P&O

The Accenture 2024 change indexⁱ shows what we all have expected: For the past 4 years, every year there is more change in large organizations than in the year before, in total 183%, or an annual growth of 16%. For this year, change is expected to grow even faster, by another 33%. What's more surprising is that for the first time, change is foremost driven by technology – catapulted by generative AI.

**“SITTING AND WAITING
IS TOO DEFENSIVE AS A
STRATEGY FOR DEALING
WITH AI IN P&O”**

Let's reflect on this from the perspective of a P&O transformation leader – be it the Chief People Officer, the COO of P&O or the program lead of a P&O transformation initiative:

If we are truly transforming the P&O function and its operating model, we are on a “fundamental, system-wide reorganization across technological, economic and social factors, including paradigms, goals and value”ⁱⁱ. And if Accenture is right and this change is more drastic, and foremost driven by generative AI, we truly must understand what AI does to our P&O transformation.

Consequently, just sitting and waiting for our established software vendors to build AI into their software tools is too defensive as a strategy for dealing with AI in P&O. We must actively think AI in our P&O transformation plans. It is on us to understand if gen AI has the potential to deliver more for less, and if so, to deploy it accordingly. We can't outsource it to software vendors.

EX - THE ALPHA AND THE OMEGA OF P&O TRANS- FORMATION

We will speak about some of the practicalities of Employee Experience (EX) in context of P&O transformation later in this paper but want to mention at this point that EX is often mistaken as something that is 'nice to have'. This is wrong. When we talk about EX in the context of P&O transformation, EX is absolutely not about nice people with fruit baskets bringing nice things to workers. EX is mandatory. Here is why:

**“FOR EVERY \$100 SPENT,
\$22 WILL BE LOST TO
LOWER-THAN-EXPECTED
END-USER ADOPTION”**

As new as actively built AI plans may be for our P&O transformation, it bears a well-known risk of all tech-driven change: That end-users simply don't adopt the new technology that we put in their hands. CEB (now Gartner) have calculated in 2015 that for every \$100 spent on foundational IT, on average \$22 will be lost to lower-than-expected end-user adoptionⁱⁱⁱ. That makes or breaks the business case of any transfor-

mation. The biggest mistake of past P&O transformation programs must be avoided: New technology must fit for the people that are using it. Or a little more broadly, if we transform current work into something that is a misfit for the people doing the work, we will fail.

“EX BECOMES THE ALPHA AND THE OMEGA OF A NEW P&O TRANSFORMATION.”

With that, the ‘EX’-part of our data-, AI-, and EX-led transformation idea contributes twofold to us squaring the circle: Not only brings a ‘frictionless’ experience significant improvement of productivity and engagement. Striving for minimum

friction also is the pre-requisite for high end-user adoption of our transformation. EX becomes the ‘Alpha’ and the ‘Omega’ of a new P&O transformation. This is much more than a nice fruit basket.

GOALS TO GET LOST IN

If EX is the Alpha and the Omega of our P&O transformation, how is that reflected in our current realities of transformation goal setting? Deloitte studied in 2023 the value of digital transformation^{iv}. They developed a complete picture of how value is generated in digital transformation efforts. Their framework is comprehensive and compelling. Yet it leaves a transformation leader with 48 ways to create value, or in short, 48 goals of digital transformation. This is the perfect jungle to get lost in.

And it perfectly describes a well-known dilemma specifically of transformations of P&O: We don't clarify what we are aiming at. Instead, to justify the investments, we are selling different parts of the 48 goals to our various stakeholders: To the CEO we are selling the fit to the organization's mission and EBITDA improvement. To the COO, we are selling productivity, business continuity, and process effectiveness. To the CFO, we are selling the traditional financial metrics around budget and cost (and its drivers, e.g., the full-self-service ratio of P&O services). To the employees, we sell a

**"48 GOALS OF DIGITAL
TRANSFORMATION. THIS
IS THE PERFECT JUNGLE
TO GET LOST IN."**

better experience (whatever that means to them), diversity, equity, inclusion, and trust. And to our P&O teams, we are selling 'more time for the essential tasks of our role'. A lot to carry. And an indication that qualitative goals for the P&O function are very hard to define, measure, and make accountable for. (Side note: That is why the two by far most common goals of Chief People Officers in large organizations are 'budget' and 'engagement', whereby the latter is very hard to manage by the function itself, and therefore P&O is left to act as a mainly cost-managed function.)

If our P&O transformation is set out to square the circle of 'more for less', we must solve this problem of a lack of measurable qualitative goals. We will talk about the practicalities of a solution later in this paper.

THE P&O OPERATING MODEL

Can the traditional P&O operating model deal with the new approaches (data, AI, EX) to P&O transformation? The classic 'three-pillar-model' (CoEs, Business Partners, People Services) is a tough one to get right. We are constantly changing and re-adjusting process handovers between these three entities. And role-wise, all three 'pillar roles' are often far from what they should be: Business Partners a trusted advisor to senior management at eye-level. People Services the excellent delivery organization for highly digitized services that are easy to find, to understand, and to use. CoEs a bunch of highly customer-oriented, professional product managers. But let's not get into model-bashing. Instead, let us investigate the evolving models that are more in line with our vision of data-, AI-, and EX-led P&O.

**“EVOLVING MODELS ARE
MORE IN LINE WITH
DATA, AI, AND EX-LED
TRANSFORMATION.”**

McKinsey is offering a smart perspective on the business context that dictates what the right P&O model should look like^v. They call them 'Ulrich+', 'Agile', 'EX-driven', 'Leader-led', and 'Machine-powered'. Context-specific makes sense, of course: If you are a frontline-business with the majority of your workforce being customer-facing non-desk workers, your operating model should be 'leader-led'. If you are a digital product company with lots of agile teams, your P&O model can be 'agile'. And if you are an AI-savvy organization, P&O decision making can be automated with AI – and your operating model is 'machine-powered'.

Gartner is adding another flavor to the mix^{vi}: They are dividing the P&O responsibilities in one part that's owned by the HR COO – people services, people analytics, people relations, and people technology. The other part of P&O has 'Strategic Talent Leaders' with a pool of business partners – the 'problem solver pool' – as well as some 'next gen COEs' under them. The beauty of this idea is that you are pooling business partner expertise in one pool, with line managers and senior execs accessing it. Thus, you have all the human expertise to solve people problems in one (organizational) place – a perfect scenario to train AI models to over time take on more and more of these problems. That way, an AI companion can become the P&O business partner of line managers over time.

**“PUT THE IMPACT OF AI
ON THE OPERATING
MODEL INTO THE
SCOPE.”**

All that said, and whatever the 'right' operating model will look like, for our data-, AI-, and EX-led P&O transformation it is mandatory to put the impact of AI on the operating model into the scope of our transformation efforts.

THE ULTIMATE IMPERATIVE: REMOVING FRICTION FROM WORK

**“TRANSFORMATION
LEADERS ARE ANYTHING
BUT EVERYBODY’S
DARLING.”**

With all the above, P&O transformation is a multi-faceted, uneasy task. And transformation leaders are anything but everybody’s darling in the company. Let’s investigate a smart and largely underleveraged

way of solving many of the problems addressed above (and making new friends as transformation leaders):

Let us focus our P&O transformation on removing friction from employees’ and managers’ daily work. FOUNT have studied the foundations

of work friction in a compelling research piece^{vii}. It's easy to adopt for P&O transformation: Per the research, work friction is what gets in the way of getting the daily work done. It accounts for 1.9 hours of work wasted per person per day. For sure, P&O can only influence parts of that friction – let's assume 25% of the total friction for managers and 10% for employees. But even with that, it would have the potential to free up half an hour per day per manager and one sixth of an hour per employee. For a 10,000 people organization, it is an annual savings potential of 20M € that we can address with the P&O transformation^{viii}. And even if we can only realize half of that potential, that's significant business value.

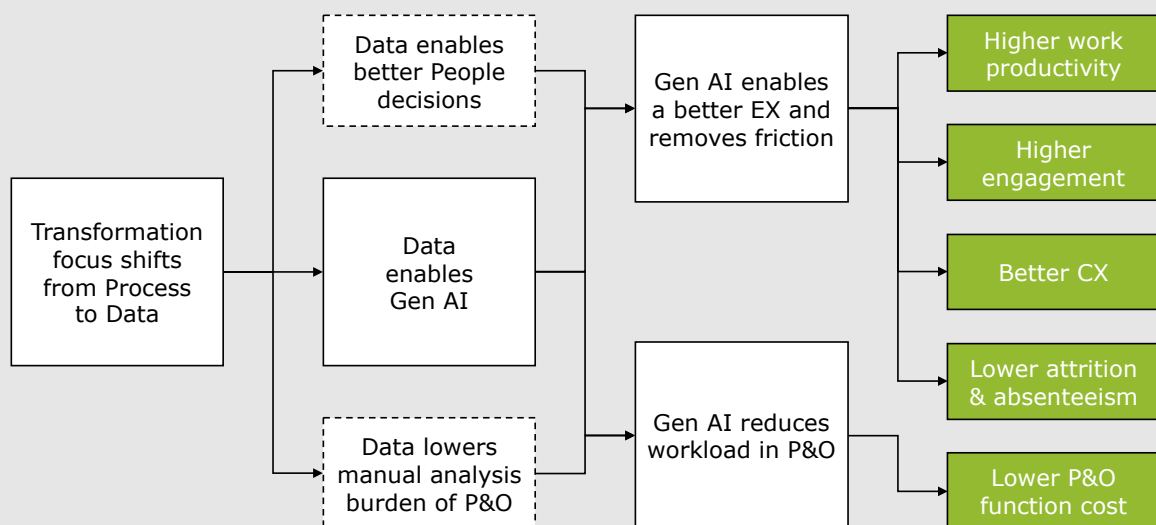
**“WORK FRICTION
OFFERS A 20M €
SAVINGS POTENTIAL
FOR P&O IN A 10,000
PEOPLE COMPANY.”**

What comes on top of these numbers: Not only does friction removal give precious time back to managers and employees. It also improves their work experience, and with it, engagement. Because work friction sucks. People are really suffering from it. Our own research tells us that for 37% of people in large organizations, work friction is so bad that they 'want to quit or at least take some time off' ^{vii}. That adds attrition and absenteeism cost savings to the 20M € of annual savings potential.

Think about it: Reducing work friction for managers and employees gives us a single, simple message and a compelling business case. And if we can measure the success, it gives the entire P&O function what it needs – a KPI system for qualitative success that is easily understood and appreciated by the organization.

CONCLUSION: DATA, AI & EX

Let's summarize: The current AI hype in the P&O function is omnipresent. Gartner's HR Transformation Hype Cycle puts 'AI in HR' as a top innovation trigger, with expected full impact in 5-10 years, but soon reaching the 'peak of inflated expectations'^{ix}.



We have shown that it's not enough to just sit and wait for the AI impact to happen. Instead, we need to actively build AI into our P&O transformation approach. For that, we need data not only to enable better people decisions or reduce the workload in P&O to do manual people analyses. We also need data to train the AI – and therefore, transformation focus might shift from 'process' to 'data'.

Yet, that is not enough, we also need to re-think our operating model while we embark on an AI-enabled transformation. Our 'next P&O operating model' can't be a one-size-fits-all. It must fit to our organizational context. And it should contribute to our AI ambitions.

Finally, we must simplify what the transformation is set out to achieve. Instead of trying to be everything for everyone, concentrating on a compelling business case that is easy to communicate is key: Let us use the

**“THE NEW VALUE CHAIN
OF A P&O
TRANSFORMATION
CAN ACTUALLY WORK.”**

P&O transformation to significantly reduce the friction in the daily work of managers and employees. That gives them time back – which they will appreciate, and it improves their experience, and consequently engagement.


We admit that this is a lot to unpack. But what should give us hope: The initially mentioned new value chain of a P&O transformation can actually work: Let's focus more on data to enable effective generative AI deployment. Let's use generative AI to remove friction for managers and employees – and to automate tasks of folks in P&O. And with that, let's have a significant impact on business value.

In short: More for less seems possible. Let's go and square the circle!

ABOUT...



Volker Jacobs is a Managing Director of TI PEOPLE. He is a globally recognized leader in the human-centered future of work. Building on his skills as an entrepreneur, consultant, analyst, speaker, and author, Volker provides data-driven insights about business performance driven by a superior employee experience. Volker has helped numerous progressive companies design and implement their people and HR strategies. He is a trusted advisor to CHROs and senior HR executives of leading companies in Europe and the U.S. Volker serves on several boards.

 **TI PEOPLE** is a specialty consultancy helping large organization 'Transform to Innovate People's Work' – with a strong focus on work friction and on measuring people's perspective on and their experience at work.

ENDNOTES

ⁱ Source: Accenture Pulse of Change index 2024 - <https://www.accenture.com/us-en/about/company/pulse-of-change>

ⁱⁱ Source: Intergovernmental Platform on Biodiversity and Ecosystem Services (Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services) - <https://www.ipbes.net/glossary-tag/transformative-change>

ⁱⁱⁱ Source: CEB (Gartner) research whitepaper 'Workforce Data and Innovation', October 2015

^{iv} Source: Deloitte Center for Integrated Research - <https://www.deloitte.com/ce/en/issues/digital/measurements-that-matter-for-calculation-digital-transformation-roi.html>

^v Source: McKinsey, 'HR's New Operating Model' - <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/hrs-new-operating-model>

^{vi} Source: Gartner, 'Playbook for Increasing HR's Strategic Impact' - <https://emt.gartnerweb.com/ngw/globalassets/en/human-resources/documents/trends/increasing-hr-strategic-impact.pdf>

^{vii} Source: FOUNT, Whitepaper: Work Friction - <https://getfount.com/resource/whitepaper-work-friction>

^{viii} Assumption: In a 10,000 people organization, P&O friction removal saves 1,000 managers (at an average loaded personnel cost of 125,000 € p.a.) 0.5 hours per day and 9,000 non-managers (at 65,000 € p.a.) 0.17 hours per day. At 220 8-hour-working per year, it amounts to 20M €.

^{ix} Source: Gartner, '8 Learnings from Gartner's Hype Cycle for HR Transformation' - <https://www.gartner.com/en/articles/8-learnings-from-gartner-s-hype-cycle-for-hr-transformation>