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High Performance

Trends Reshaping the Future of HR

Managing Your People as a Workforce of One

by Susan M. Cantrell and David Smith



High performance. Delivered.

When it comes to managing talent, one size no longer fits all.

Customization has transformed everything from marketing to medicine, and is poised to revolutionize the way organizations manage their people. With customization, organizations will no longer treat their workforce as a single, monolithic entity. Instead, they will treat each employee as a "workforce of one."

The Trend: Organizations of the Future to Provide Customized Talent Management Practices

Organizations of all types have long excelled by treating customers as "markets of one"—offering them personalized buying experiences. The concept of customization and the technology that has made it possible have fueled the rise of some of the greatest success stories of the past 25 years: Dell (custom personal computers), Amazon (book and other product recommendations just for you) and Netflix (movies that fit your profile), to name just a few.

But when it comes to managing talent, many organizations still use one-size-fits-all HR practices. Standardization of such practices has helped companies to achieve important goals including consistency, efficiency and fairness and to gain a global view of their people.

Yet business and workforce trends are pushing organizations to break out of the old standard employment deal. Technology has advanced enough to make customization of talent management possible for the first time. Moreover, people now expect—even demand—customization in the workplace because they've experienced it in their everyday lives as consumers. Meanwhile, changing demographics have made workforces more diverse—in terms of age, gender and ethnicity, as well as life aspirations, cultural norms and core values. And with the rise of more complex knowledge work, jobs are becoming increasingly difficult to standardize, and companies are struggling to find enough qualified workers. All this will make today's generic, one-size-fits-all people practices soon obsolete—if not detrimental to a company's bottom line.

In the future, companies will need to tailor the work experience to employees' needs, talents and interests. Research featured in our recent book *Workforce of One: Revolutionizing Talent Management through Customization* (Harvard Business Press, 2010) reveals that pioneering companies are now using customization to transform how they manage their people.

At Best Buy, for example, the HR function has two major mandates: (1) recognize the unique talents of each employee, and to deploy those talents in a manner that maximizes the employee's energy to drive business outcomes and (2) to reengineer the talent system, and develop other HR capabilities, for personalization rather than for sameness.

Evidence suggests that other companies are starting to follow suit. Nearly half of the 557 employees we surveyed for our book told us that their organizations are getting better at offering employee practices that meet individuals' unique needs; only 21 percent disagreed with this statement. And all of the 70 HR and senior executives we interviewed told us that they would likely pursue a more customized approach to talent management in the future.¹

Impact on the Business

In today's hypercompetitive age, striving to "win the war for talent" will not likely be enough. Organizations will also need to boost the performance of an increasingly diverse, knowledge-oriented workforce. To achieve this goal, leading companies are applying the same business logic to their employees that made customization so successful with customers. Just as organizations now gain an edge by understanding their customers and giving them tailored experiences, companies that customize work experiences and HR policies for employees can achieve a sustainable market advantage (see Figure 1).

Customization makes good business sense: When employees get rewarded in ways they personally value, they will likely feel more motivated to excel at their job. When they can learn through approaches that suit their own learning styles, they build skills. When they're able to work in ways that meet their personal and job needs (for instance, they're given space to concentrate or tools to collaborate), they become more productive. Customization can also help companies attract and hire top talent by tailoring recruiting practices toward specific individuals. Moreover, it can increase engagement and job satisfaction, thus reducing attrition and lowering turnover costs.

Figure 1: Benefits of customizing

Benefits of customizing for customers	Benefits of customizing for employees
Increase revenues	Increase workforce performance and productivity
Improve customer satisfaction	Improve employee engagement
Increase value of existing customer base	Increase value of existing employee base
Improve customer retention	Improve employee retention and reduce turnover costs
Attract and acquire the most profitable customers	Attract and hire the most talented employees
Reach a larger, more diverse market	Tap a larger, more diverse employee base—to foster innovation and serve a diverse customer base
Use resources more effectively through targeted investments of marketing dollars	Use resources more effectively through targeted investments of HR dollars
Respond flexibly to changes in the business environment and consumer tastes	Respond flexibly to changes in the business environment and employee tastes
Craft a customer experience that's difficult for competitors to copy	Craft an employee experience that's difficult for competitors to copy

Our employee survey confirms this: people are more attracted to companies that provide customized HR practices, and they're more likely to stay and perform at their best.² By contrast, when people practices aren't personalized for employees, their performance, engagement and productivity can suffer (see Figure 2).

The good news is that companies can now customize their people practices in a scalable way across the enterprise. They don't need to resort to a series of one-off, individually negotiated arrangements between bosses and employees. Such arrangements can quickly plunge a business into chaos and raise questions about fairness.

Clearly, employees want customized work experiences; some 25–40 percent of employees now have negotiated one-off deals with their bosses.³ With a workforce-of-one approach, organizations can bring customization into the open by adopting practices, policies and standards that make customization available to all employees and easy to manage.

Figure 2: What our survey respondents said about one-size-fits-all people practices

Aspect of work	One-size-fits-all examples	Survey respondent comments
When work is done	Company-wide work schedule	"I need a different schedule to accommodate childcare; I'd be more effective at work if I weren't worried about picking up my kids late again! Besides, I'd be more productive if I could work when I feel I'm at my best."
Where work is done	Generic cubicles	"My job requires concentration, but I sit in an open space where I can't get any work done!"
How work is compensated and rewarded	Pay determined by HR based on position; cash-only rewards	"I lost a top performer because of HR-imposed caps on pay."
How work is defined	Standardized job tasks that leave no latitude for interpretation	"I could achieve better results through 'soft selling' than the prescribed way of the hard sell."
How career development is handled	Standard, linear career paths	"Our new more 'sophisticated' system slots people into pre-determined roles based on experience and skills. But we either promote people to their level of incompetence, or mistakenly assume that the job a person is most qualified for is the most satisfying. So now many people leave the firm—and we lose that potential talent."
How learning takes place at work	Generic workshops, courses and training	"Executive education courses are a waste of time. Most people don't learn the same way, but the courses assume they do. And the information tends to be so generic that it's hard to apply to specific situations."
How work is evaluated	Generic assessment criteria and appraisal method	"Performance appraisals are merely a bureaucratic exercise to set merit increases. They don't help me improve my performance, because the criteria I'm rated on don't align with what I actually do in my job."



Impact on HR

Customization of HR practices can greatly benefit employees and their organizations. It's also good for the HR function itself. Why? It positions HR to become the strategic powerhouse it was meant to be. Just as customization transformed the marketing function, it can revolutionize HR too—by elevating HR to the top of the CEO's strategic agenda and making HR integral to how the company competes.

We believe managing a workforce using a workforce-of-one approach represents the next major phase of HR's journey as a profession. This approach moves HR past the standardization of people practices that has characterized the past decade. Organizations have achieved efficiencies and reduced costs through standardizing. Now they can use that standardized framework to tailor HR practices to employees (see Figure 3). In this way, companies can continue to reap the benefits of standardization (efficiency and control) while also gaining the strategic advantages offered by customization.

One key is to customize within a structured, rules-based framework that allows for flexibility. The following strategies can help:

Segment the workforce. Straight from the handbook of marketing, companies can group employees based on specific criteria, such as value to the company, role or generation. They can then tailor people practices for each segment. And with advances in business intelligence and analytics, organizations can now create

new and more meaningful segmentation schemes. For instance, companies can group employees by a wider range of criteria that include learning styles, values, personality, wellness profiles, mobility, behavioral patterns, and networking and communication styles. In fact, Accenture segments its employees in part on their overall well-being (as measured by things like the number of vacation days they've taken and the amount of time they've spent on a project). This segmentation can enable bosses to identify people who might be at risk for defecting or burning out—so they can take preventive action.

Offer modular choices. Companies can also offer employees a predefined list of options for custom-configuring their own work experience. At Capital One and Microsoft, for example, employees get to choose from a variety of mix-and-match work-setting options based on their individual needs and changing work tasks.

Define broad and simple rules. An organization can create a rule so broad and simple that it can be interpreted in many different ways. Best Buy, for example, sets a broad rule—get results—and lets employees determine how to accomplish it. The retailer allows many of its headquarters personnel to define when and where they want to work—as long as they get the job done.

Figure 3: Evolution of talent management



Foster employee-defined personalization.

Just as consumers today can define and create their own content using the video-sharing site YouTube or the volunteer-written reference site Wikipedia, employees can now define and create their own people practices. Instead of having a central authority define learning programs, for example, individuals can define it in highly personal ways through wikis, blogs, YouTube- or Facebook-like applications, or on-the-job experience. At the U.S. Navy, for example, employees, not HR, set the compensation levels in hard-to-fill jobs through an online job auction website.⁴

The workforce-of-one approach challenges current notions of "human resources" as something that a company "does" for its employees through a centralized function.

In an organization that manages each employee as a workforce of one, everyone is responsible for HR. People management becomes a broad corporate competency in which HR and line managers work together to customize practices to benefit the organization as a whole as well as every employee. In this scenario, HR becomes tightly integrated throughout the company, just as other functions have done, including marketing, quality improvement and customer relationship management.

But there's irony in this: To support an integrated talent management model, HR will need to play a more active and prominent role. And to succeed in that role, HR will need a new mandate—along with new skills and maybe new roles and organizational structures. The HR department of tomorrow may more closely resemble the marketing department next door.

Here's a closer look at how HR will need to change to support a more customized approach to talent management:

New mandate. Over the past 70 years, HR had a threefold mandate: maintain strict control over the workforce; deliver low-cost, easy-to-manage administrative HR services; and promote fairness (and avoid lawsuits) through equal treatment of employees.⁵ In the future, HR organizations' mandate will be to understand and serve employees with highly relevant offerings that improve their engagement, motivation, retention and performance. When HR fulfills this mandate, it contributes directly to the organization's bottom line.

Many HR organizations have made the transition from being primarily a transactional, administrative function to being primarily a strategic business partner. But we're talking about moves that will go well beyond common conceptions of what it means to be a strategic business partner. A workforce-of-one approach requires that HR adopt the role of employee performance improver—something that few HR organizations, even ones that define themselves as strategic business partners, have yet to adopt, according to research studies.⁶

New skills. HR professionals will need to develop the kinds of skills that marketers use to excel at customization, such as co-creation. And they'll have to become just as adept at using technology to support customization. Finally, they will need to find new ways to unite employees behind the organization even as employees have more diverse, personalized experiences in the workplace.

New roles and organizational structures.

HR may have a dedicated analytics group, just as marketing does, as well as people and resources focused on coaching employees in how to make the most of their customized work experiences. HR staff dedicated to represent the needs of each employee segment may also emerge.

In addition, HR might need to set up new organizational structures that bust internal functional silos. After all, many marketing organizations must break down organizational silos to bring together representatives of multiple offerings, products and channels to meet a customer need. Likewise, HR will need to remove silos to meet employee needs. The focus will shift from how cost effectively each internal HR program is administered to how well the organization is serving various employee segments.

In addition, the entire HR function may need to establish new structures that enable it to cross disciplines and span boundaries in the organization. To craft tailored people practices, HR will need to thoroughly understand employees as well as the businesses and functions in which they work. Thus HR professionals will need to create mechanisms for learning about areas that have traditionally been outside their own domain (such as IT, supply chain and marketing) and for collaborating with people from those areas.

Bottom Line

An article in *The Economist* proclaimed that we're entering an age where "granularity will be king"—where (for example) quantum mechanics breaks matter down to the subatomic level, and each link in a company's supply chain can be fitted with a radio frequency ID tag and managed individually.⁷ It's time for talent management practices to join this age. To do so, HR professionals will need to view employees as individuals with unique needs and preferences who are capable of making work-related decisions for themselves and their subordinates within a structured framework.

By applying the principles of customization gleaned from their marketing counterparts, HR professionals can create an environment where individuals can flourish even as organizations maintain some measure of control. Organizations that make it possible for employees to excel through personalized work experiences set the stage for new heights of performance themselves—driven by committed, engaged and productive talent.

About the Authors

Susan M. Cantrell is a research fellow at the Accenture Institute for High Performance. Based in Philadelphia, Pennsylvania, Ms. Cantrell is the coauthor of *Workforce of One: Revolutionizing Talent Management Through Customization* (Harvard Business Press, 2010). She has coauthored more than 30 articles or book chapters, including *Elements of Successful Organizations* (The Workforce Institute at Kronos, 2011).

David Smith is senior managing director responsible for the Accenture Talent & Organization management consulting practice. He specializes in designing and developing talent and organization strategies and solutions for clients and has extensive international experience working with some of the world's largest global companies, including a number of Fortune 500 companies. Mr. Smith, who is based in Hartford, Connecticut, is a frequent speaker at industry conferences and events, has published numerous articles and papers, has contributed his viewpoints on the business impact of talent to many media and industry publications, and is the coauthor of *Workforce of One: Revolutionizing Talent Management through Customization* (Harvard Business Press, 2010).

About Our Research

The primary objective of this large-scale research initiative is to develop insights that can be useful to both HR and business executives as they seek to maximize the role of HR as a critical function within the organization. We are exploring how current business trends might reshape the nature of the function—in terms of HR's mission and mandate, the key activities HR performs, the skill set necessary for HR professionals, the metrics on which to evaluate HR's performance, and the organizational and governance models and roles that will most effectively help HR maximize its value to the business. We also are examining current best practices in HR, as well as some of the obstacles HR is facing and how those obstacles can be overcome in the future.

Related Reading

Workforce of One: Revolutionizing Talent Management through Customization, by Susan M. Cantrell and David Smith (Harvard Business Press, 2010).

Notes

1. *Workforce of One: Revolutionizing Talent Management through Customization*, by Susan M. Cantrell and David Smith (Harvard Business Press, 2010).
2. Ibid.
3. "Let's Make an I-Deal," by Denise Rousseau. *Performance and Profits*, August 2006.
4. "Fewer Hands on Deck," by George Cahlink. *Government Executive*, June 1, 2004, Vol. 36, No. 9, p. 68. Reprinted with permission. Copyright © 2009 by National Journal Group, Inc. All rights reserved.
5. *The Embedded Corporation*, by Stanford Jacoby (Princeton University Press, 2004).
6. Chartered Institute of Personnel and Development, HR Survey, 2008.
7. "The Next Little Thing," by Lucy Kellaway. "The World in 2006," *The Economist*, 2006.

About Accenture

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