

Boyden Senior Executive Survey:

THE CHRO AND THE FUTURE ORGANIZATION

PART 1: Impact of AI and Technology

2019



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Global Practice Leader Message



Robert Winterhalter, Ph.D.

Global Leader, Human Resources Practice
Managing Partner, Boyden Germany

Countless companies, of all sizes and across all industries, are undergoing major transformations to manage new demands and prepare for the future. Organizations that do not keep up will become less relevant or wield less influence, in turn losing their ability to both retain and attract talent.

In order to survive and prosper amid the changes brought on by new technology and shifting perceptions surrounding the workforce, companies need to evolve their approaches to the board and management, strategy, utilization of technology, and global workforce alignment, training and hiring.

Organizations in consumer/retail, energy and mining, industrial, financial services, healthcare & life sciences, and technology need to focus leadership and the greater global team on the evolution of the modern company. A key driver of these transformations is often the Chief Human Resources Officer or senior HR executives, who are increasingly becoming part of the C-Suite and members of the board. While their positions and influence differ related to various regional and organizational factors, these executives all have a crucial role to play.

Therefore, in developing our second annual Boyden Senior Executive Survey with our partners, clients and industry colleagues, we agreed to focus on the views of CHROs, who often serve as the most important change agents steering management and global teams. Some of the survey results may surprise you.

We surveyed a global panel of 310 CHROs, senior HR executives and other HR decision makers in Australia, Brazil, Canada, Germany, Mexico, the United Kingdom and United States. Guided by key changes companies will face in the coming years, our findings will be released in three parts: Impact of AI and Technology; The CHRO Role in the C-Suite & Board; and Diversity of People and Thought.

It's important to note that while the survey data include only HR leadership, the commentators who provided analysis of our findings included a wide swath of executives including chairmen, non-executive board members, chief marketing officers, chief digital officers, country managers and others.

The findings discussed here, in Part 1, immediately reflect the transformative power of technology – 94% of global executives believe the rise of technology and AI will alter the HR function, and nearly 40% expect drastic changes with even greater tech influence.

My view is that AI is both overestimated and underestimated. At first glance, AI is just a tool for faster learning and operational excellence. Good HR leaders and other senior executives will both leverage it to improve operational efficiency and speed of transformation, and to affirm trust and respect from operational lines of management. In reviewing our data, a German CHRO went further, adding that “AI and HR analytics are strongly underestimated by companies. The big initiatives such as HR strategy, organizational development and transformation, which all often involve AI, can only be solved by a strong CHRO or HR function.”

We offer our many thanks to our panel of executives who contributed insight for Part I of this report, including Gerhard Bohne, Karen Brandenburg Viera, Shannon Di Pietro, Carolyn Isaacs, Poliana Lanari, Eduardo Marques, Anna Mitchell, Dr. Michael Pütz and Karen Wefelmeyer.

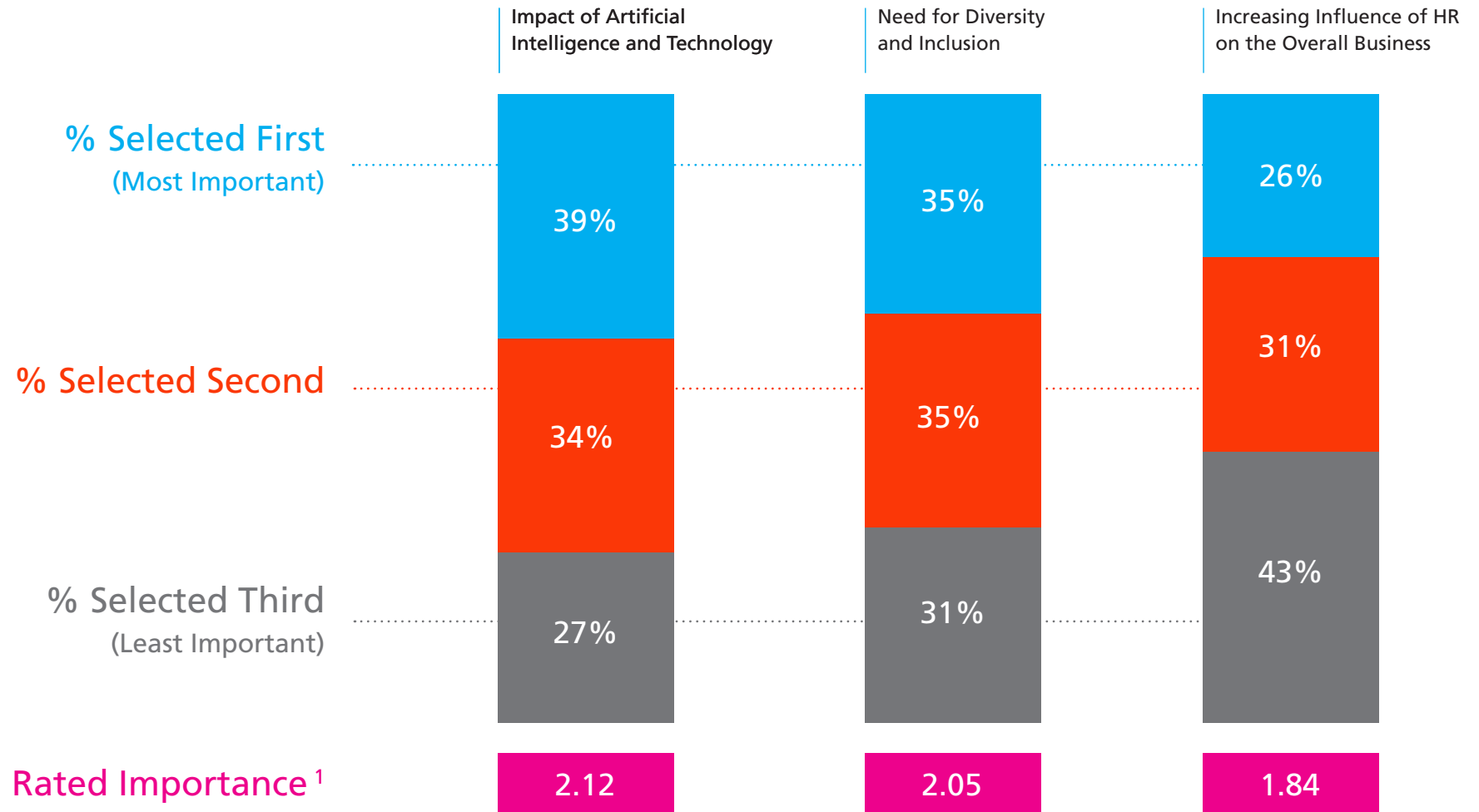
There are no simple answers to complex challenges. We hope this report provides useful insights for management teams as they carefully map the future and align their global teams for the next stage of success.

Robert Winterhalter, Ph.D.
Global Leader, Human Resources Practice
Managing Partner, Boyden Germany

Artificial intelligence and technology is the most important transformation in HR.

39% of respondents rank the impact of artificial intelligence and technology as the most important transformation taking place in HR, rating it first out of three.

What would you say are the largest transformations currently taking place in Human Resources?



¹ Rated Importance measured by calculating the mean average. (Higher number = Higher overall rated importance)



“CHROs’ focus will change, with the required skills and capabilities evolving to more business and strategy aspects, diverse from the old-fashioned HR executives. HR will be largely directed by AI, which will involve less people in the function. Executives will need to develop AI and more technical skills to be relevant in the future.”

Gerhard Bohne,
Country Divisional Head,
Bayer CropScience Brazil



“Increasingly, the CHRO needs to be hand-in-hand with IT. From rolling out a new intranet to establishing internal communication tools like Yammer or Chatter, the CHRO now plays a critical role in championing new technology.”

Carolyn Hudson,
Managing Director and
Head of Americas,
People & Change Practice,
FTI Consulting

Outlook

HR executives across geographies recognize the impact of technology and AI on their field. Almost all (94%) believe that the rise of technology and AI will alter the human resources function, while 40% expect drastic changes. While executives are generally aligned in thinking that change is coming, there were some regional discrepancies. Executives in the UK (90%) and Germany (88%) say they expect change, whereas in Brazil and Mexico 100% of executives expect change.

Sentiment surrounding these changes is generally positive, with the majority of HR executives aligned in thinking that AI and technology will positively impact the sector by increasing efficiency. Close to half expect that technology and AI will streamline performance management (48%) and increase skills-based hiring (47%). Similarly, 42% of HR executives expect AI and technology will increase the speed to hire, while 41% believe new technology will improve onboarding processes.

While there is general agreement that AI will increase efficiency, only 24% believe new technology will replace human recruiters. Despite technology’s promise to drive metrics-oriented results, many point to the need for a continued human touch in HR. Anna Mitchell, Business, Change and Communications Consultant and former Managing Director, Global Online Business, Coats explains, *“The rise of technology raises interesting questions when it comes to what kind of background HR professionals should have. You absolutely need the ‘soft’ side and people skills, but those qualities need to marry with the ability to interpret and analyze the data generated by AI.”*

This thinking is echoed by Jörg Kasten, Chairman of Boyden World Corporation and Managing Partner of Boyden Germany. *“AI is just a tool, not a solution. HR requires the personal touch of someone who is able to effectively communicate with and inspire people.”* While many executives focus on how AI can be used in conjunction with human reasoning, 67% of respondents from the industrials and energy sector combined can see AI replacing human recruiters, at least after initial job interviews.

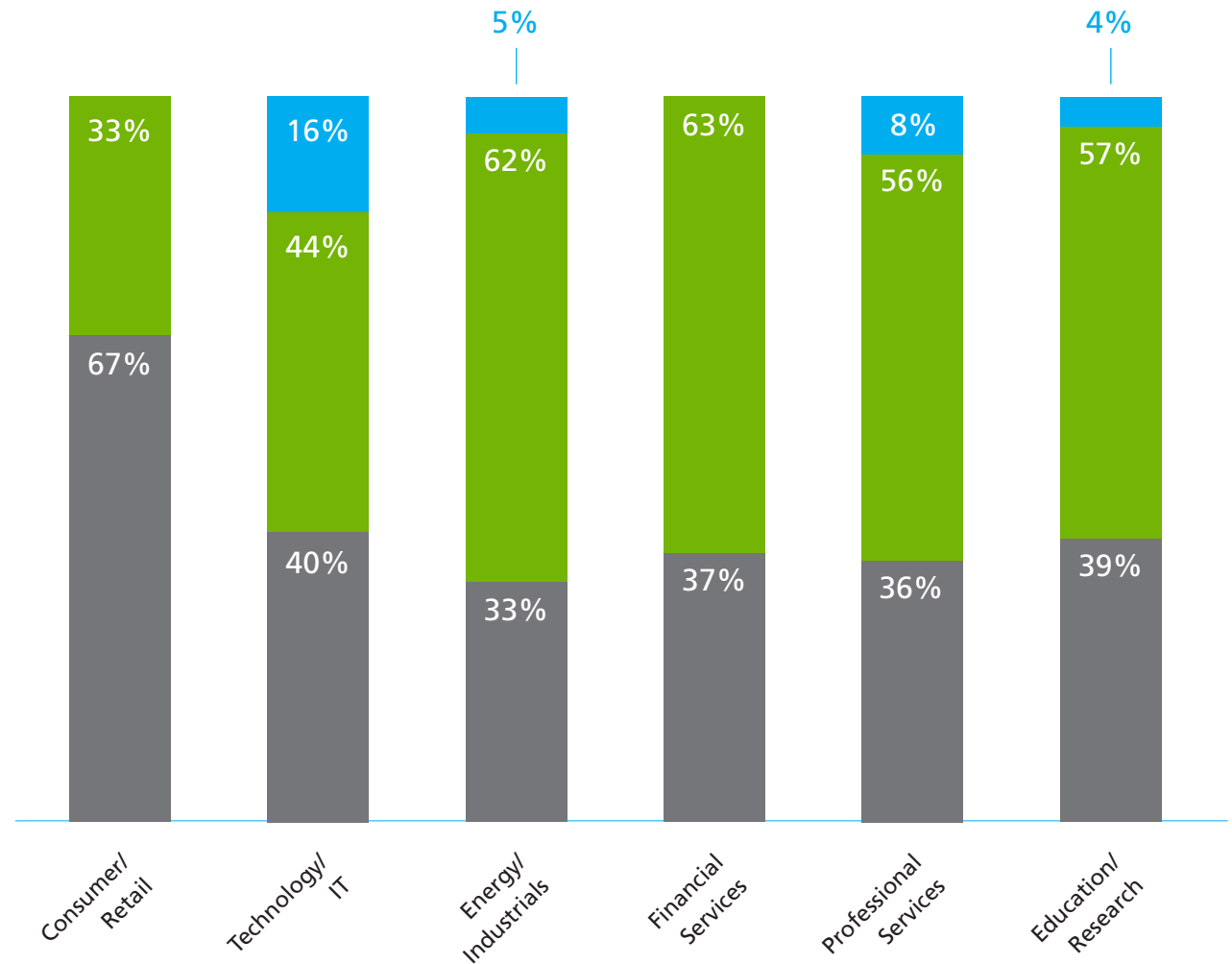
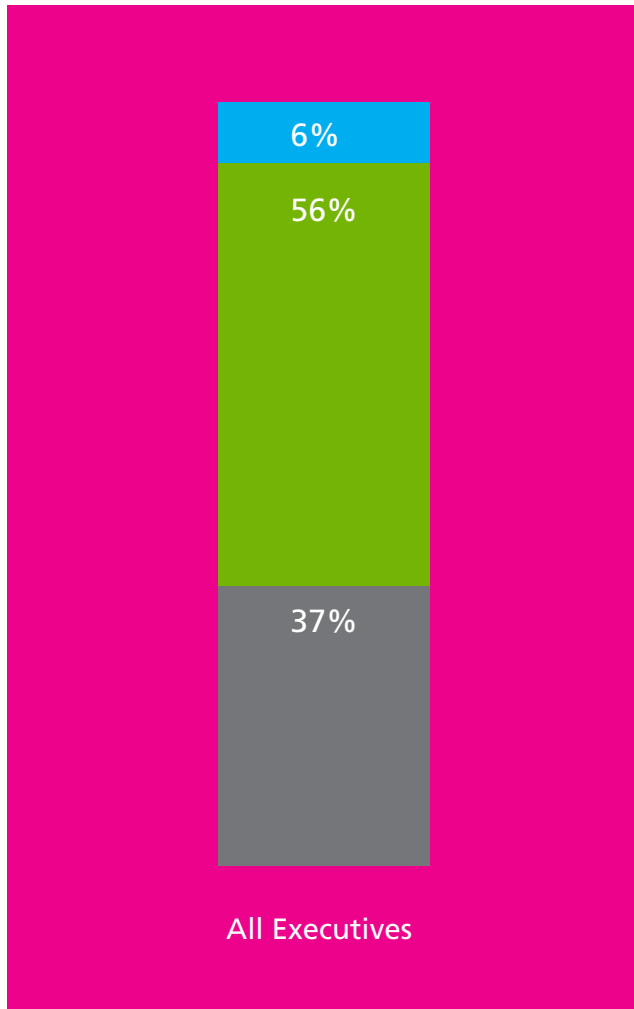


(L) Jörg Kasten
Chairman, Boyden World
Corporation and Managing
Partner, Boyden Germany

(R) Anna Mitchell
Business, Change and
Communications Consultant
and former Managing Director,
Global Online Business, Coats

Over the next 10 years, how much will the rise of technology and AI alter the Human Resources function?

Drastically Change
 Moderately Change
 Not Change Much





“In the world of high-speed, disruptive technological changes, people will continue to play a key role when it comes to transforming new tech into real results and achievements.”

Poliana Lanari,
Managing Director,
Harting, South America

Driving Change

The vast majority of human resources executives – 94% – believe it is important that they play a critical role in developing strategies to deploy technology and AI solutions at their companies, while 55% say it is very important.

This focus on the role of HR in deploying new technology is even more prominent in Latin America, where 76% of HR executives believe it is very important that they be involved in developing these strategies. According to Alexandre Sabbag, Partner, Boyden Brazil, the increased focus on HR’s role in LatAm is driven by specific regional conditions. **“Market challenges in Brazil have forced many HR executives to take on new responsibilities and develop new skills. Thus, those that have emerged since the economic crisis have often developed knowledge surrounding technology, AI and other skill sets, resulting in greater value for their companies,”** he explains.



“In connection with digitization, there is common discussion of reduction in hierarchies. However, from my experience, the representation of the HR function at the top management level is a key lever to implement initiatives. Therefore, it will be interesting to see the impact simultaneous digital development and the dissolution of hierarchies has on the effectiveness of the HR function.”

Dr. Michael Pütz,
Senior Vice President,
Human Resources,
Harting Group



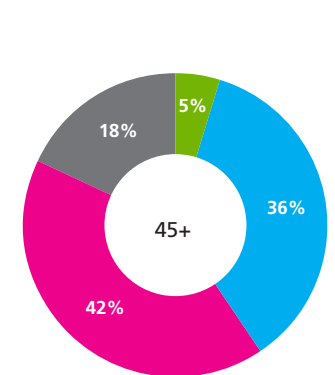
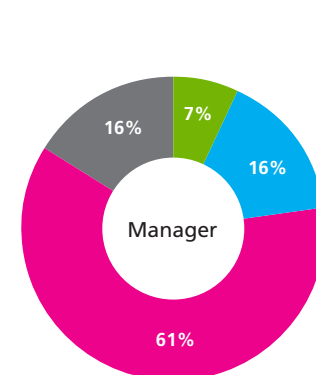
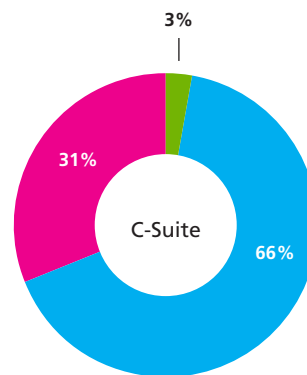
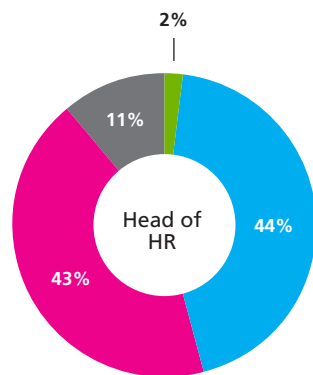
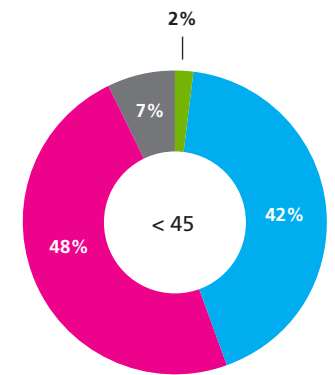
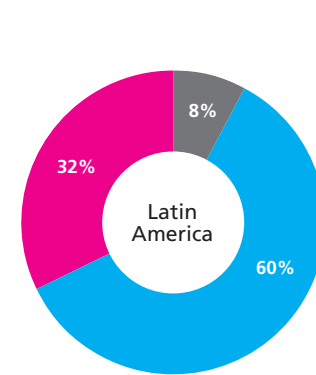
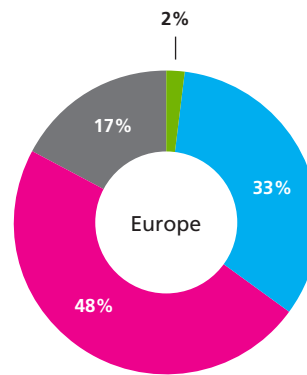
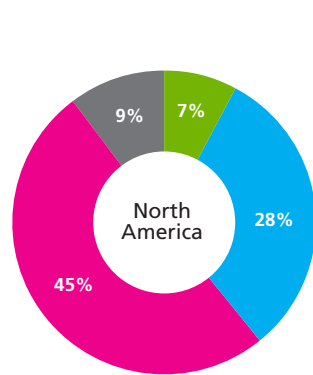
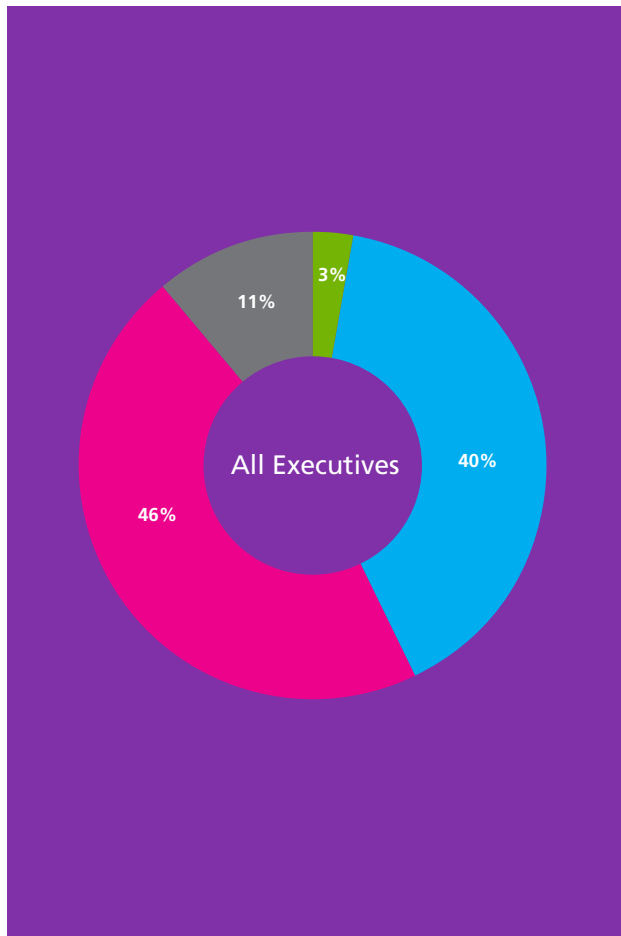
(L) Alexandre Sabbag
Partner, Boyden Brazil



(R) Birger Svendsen
Managing Partner,
Boyden Norway

How involved are you in developing the strategy necessary to deploy technology and AI solutions at your organization?

● Very Involved
 ● Somewhat Involved
 ● Not Very Involved
 ● Not At All Involved





“It is imperative that companies drive technological changes that improve the HR function. New technology will help with cultivating and energizing both current and future employees, while simultaneously driving engagement and retention.”

Karen Brandenburg Viera,
Senior VP of Human Resources and
Internal Communications,
Church’s Chicken



“The human resources profession has a long way to go to maximize the opportunities that new technologies present.”

Barry Bloch, Partner,
Boyden Australia

There is, however, a slight gap between what HR executives hope to see and how these changes are actually unfolding. While 94% believe it is important that they are involved, only 86% of HR decision makers say they are actually involved in developing the strategy necessary to deploy technology and AI solutions at their organizations.

This lack of alignment between expectations and reality could perhaps be attributed to a skills gap. While traditionally the role of HR has largely been focused on communications, new technology is shifting the skills required of HR professionals. As Birger Svendsen, Managing Partner, Boyden Norway and EMEA Leader, Human Resources Practice says, **“Companies are transforming to cope with the new realities of digital, and this has a tremendous impact on both human assets and the role of the CHRO.”** Indeed, the advent of AI is beginning to influence the kinds of skills needed to succeed in HR.





“AI, as a candidate processing and selection tool, will undoubtedly transform the way we hire people in the future.”

Francesca d'Arcangeli,
Global Leader, Industrial Practice
and Managing Partner,
Boyden United Kingdom



Carolyn Isaacs

Former Global Transition Director
and Global HR Services Director,
Diageo

Preparedness

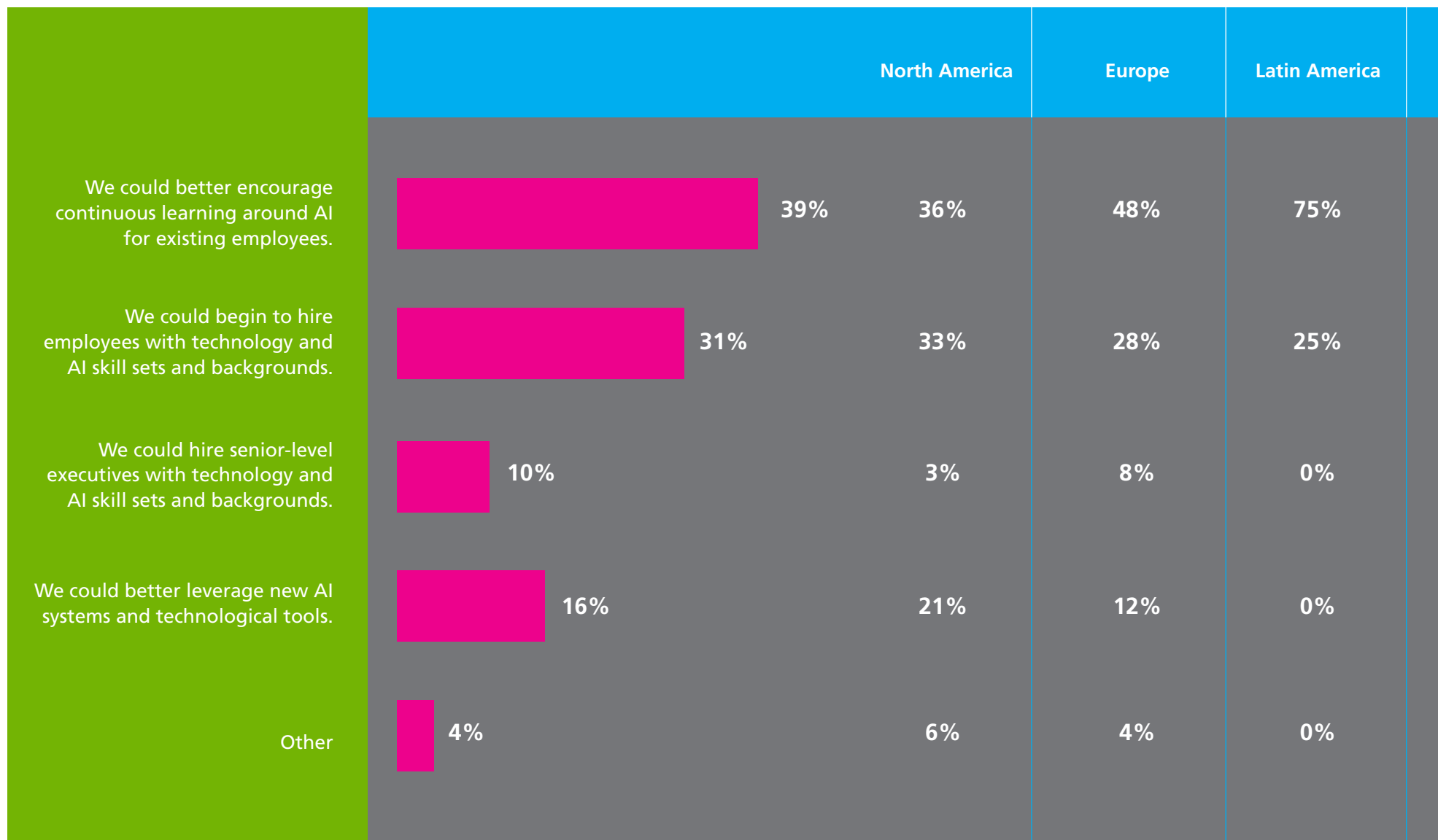
75% of HR executives are prepared to deploy technology and AI solutions at their company. However, this level of confidence varies regionally. Those in Canada seem less prepared than many of their counterparts around the world – only 60% of Canadian HR executives say they are well versed or have a team that is well versed in AI. Similarly, only 66% of executives in the UK say they are prepared. This is in stark contrast to several other regions: 96% of HR executives in Mexico are prepared to deploy AI in the workplace, followed by 88% in Brazil and 84% in Germany. HR executives in the US and Australia fall somewhere in the middle, with 75% and 70% saying they are prepared, respectively.

Preparedness, too, can likely be attributed to the shifting set of skills required of the profession. As Carolyn Isaacs, Former Global Transition Director and Global HR Services Director, Diageo asserts, **“If you want to effectively leverage data analytics, you have to include people within HR that have the background and skills needed to interpret results and take action.”**

Preparedness also varies based on company size. Executives in large (over \$500M) and medium-sized companies (\$100-500M) were more likely to feel prepared than executives in smaller companies (less than \$100M). 80% at large companies and 83% at medium-sized companies say they are prepared, versus 60% at smaller companies.

There are also variances based on hierarchy. Executives in the C-Suite report being more prepared than HR heads or managers: Just under half of the C-Suite (48%) say they are fully versed in AI, whereas only one in five (22%) of HR heads and 13% of managers say the same. Age, too, plays a role in the level of preparedness. Nearly one-third (32%) of respondents under the age of 45 say they are fully versed in AI, whereas 12% of those over 45 say the same.

How do you feel your organization could better prepare to meet the needs and demands of technology and AI?





Karen Wefelmeyer
Chief Human Resources Officer,
d&b audiotechnik

When it comes to preparing to meet the new demands of technology and AI, there is no uniformity of approach. Just over one-third of organizations (36%) are encouraging continuous learning around AI for existing employees, slightly over one-quarter (27%) are hiring employees with technology and AI skill sets and backgrounds, while one-fifth are focusing on hiring senior-level executives with AI skill sets and backgrounds.

Karen Wefelmeyer, CHRO, d&b audiotechnik finds practices surrounding hiring to be somewhat contradictory, noting, *“While most CHROs and executives indicate they rely on their team or they are not prepared to implement AI, a much smaller percentage are hiring employees with technology and AI skill sets.”* Others, however, caution that the rise of AI doesn’t mean technical skills will displace soft skills. As Catherine Gray, Americas Leader, Human Resources Practice and Partner, Boyden United States explains, *“Tech and AI are not only changing the face of HR; they are changing entire organizations. Hiring talent for soft skills like creative thinking, problem solving, communication and adaptability will become increasingly important.”*



Jeff Hodge
Managing Partner,
Boyden United States

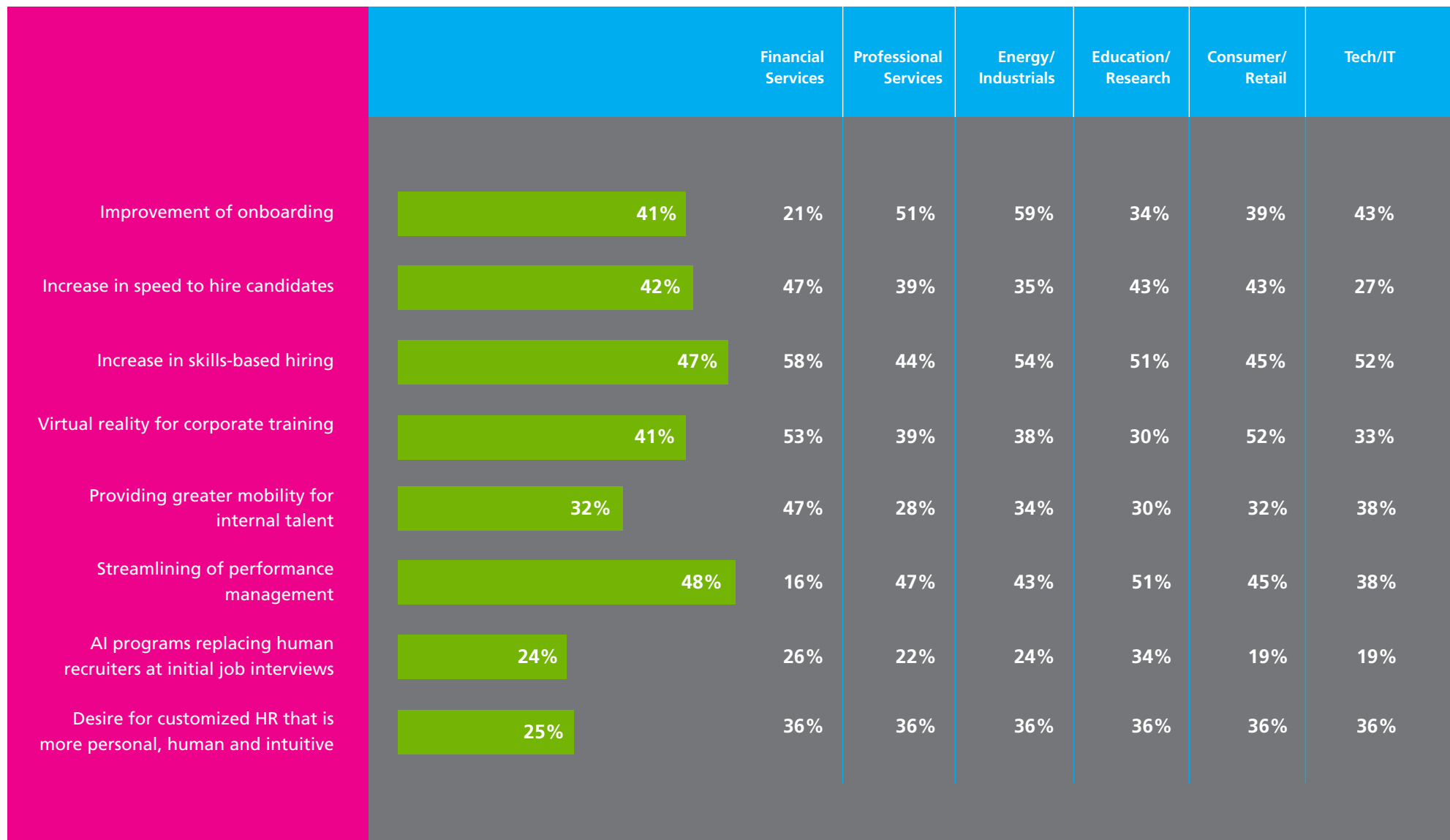
Despite differences in opinion on how best to prepare, almost all agree that the role of the CHRO or Human Resources senior manager is going to shift dramatically in the data-driven world of new technology. A full 91% of executives agree that these roles are shifting, while 35% strongly agree. *“The best leaders are very data-oriented, data-driven. A deep understanding of data analytics will be a foundational skill for every CHRO in the future,”* says Jeff Hodge, Managing Partner, Boyden United States.



Catherine Gray
Americas Leader,
Human Resources Practice and
Partner, Boyden United States

What types of changes do you expect to see within the Human Resources landscape with technology and AI?

Please select three.





“Managing people is too important to be left to people. New technology, combined with the increased availability of data, is changing everything. Companies are now using analytics to hire, manage and retain talent. And why not? These tools can provide insight into what has always been a top priority for achieving strategic goals: talent.”

Steve Nilsen, Partner,
Boyden United States



“No matter what the data says, if it cannot be messaged in a way that is easily understandable it will remain just that – data and not insights. That is why verbal and written communication skills are so important.”

Shannon Di Pietro,
Vice President,
Human Resources,
Thermo Fisher Scientific

Challenges and Opportunities

Human Resources decision makers see distinct potential for HR in the age of AI. The most commonly selected top opportunity (70%) in running a Human Resources division are performance assessments aided by AI and technology, which offer valuable insights into employee potential. 60% say that relying on analytical processing and data, as opposed to individual observations, is a key opportunity. This is closely followed by effectively streamlining candidate screening and automating onboarding procedures for new employees (each at 57%) and is rounded out by using big data to predict trends in the organization and planning accordingly (55%).

But the age of AI is not without challenges. 61% of HR executives see hiring individuals with the right skill set as a top challenge, while 60% are concerned about keeping up with advancements in technology.

Another key concern regarding the rise of AI has to do with bringing the sector up to speed. 85% agree that the HR function lags behind, while just under one-third (32%) strongly agree. As Dharma Chandran, Partner, Boyden Australia points out, *“Despite the buzz surrounding the application of AI and new technology to the selection process and performance management, many HR executives still favor the status quo over potentially game-changing disruption.”*

Executives, as whole, generally agree on the importance of human management of AI. 97% of respondents agree that AI can only be effectively managed by the right human talent, while just under two-thirds (62%) strongly agree. As Marco Ryan, Executive VP and Chief Digital Officer, Wärtsilä describes, *“AI is changing dynamics in the workplace, both in terms of process automation and engineering and in terms of how data is used and value can be created. However, AI has many different use cases and so people still need to be in the loop – there is increasing demand for human expert interpretation.”*



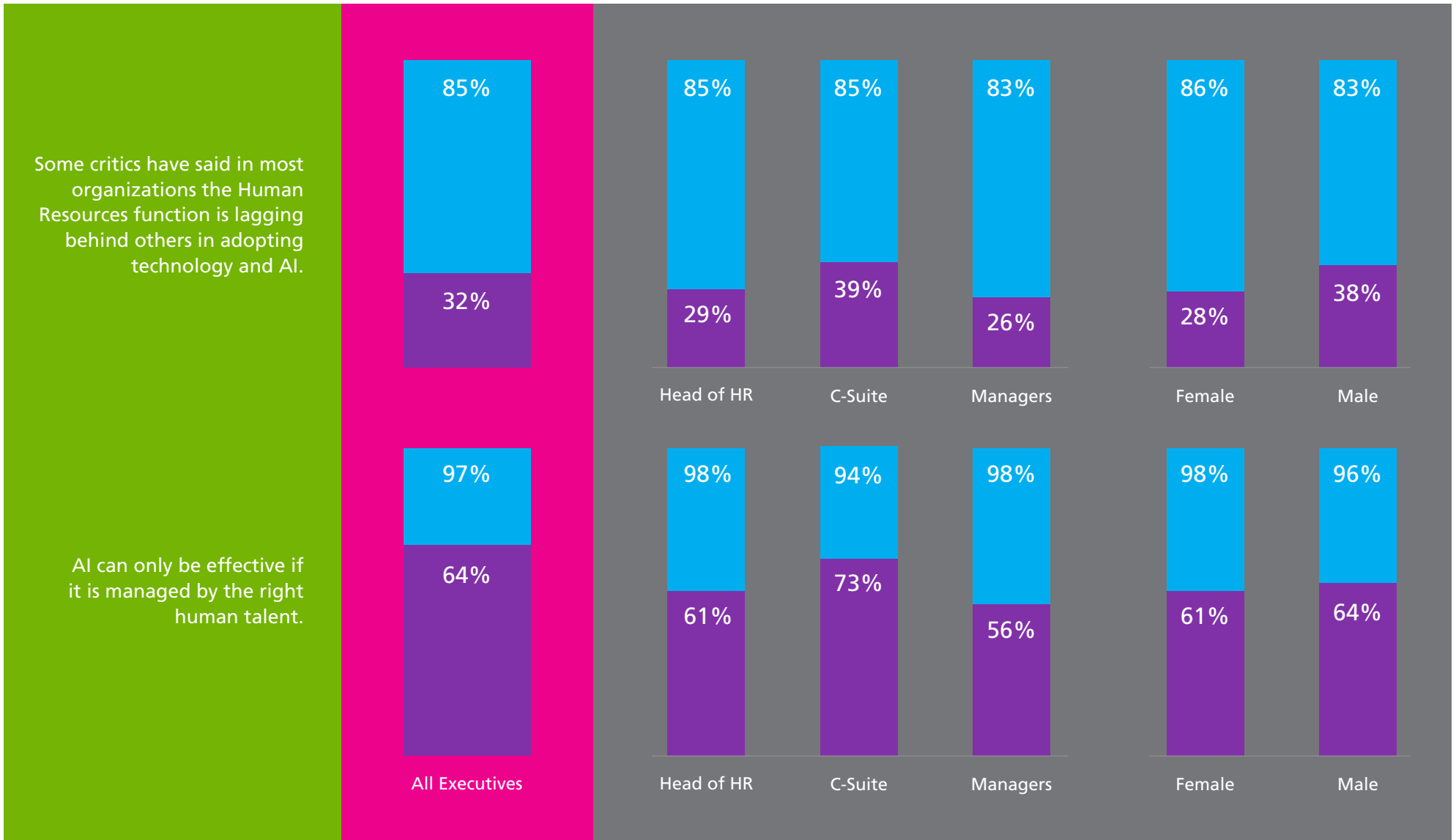
(L) Dharma Chandran
Partner, Boyden Australia



(R) Marco Ryan
Executive VP and
Chief Digital Officer,
Wärtsilä

To what extent do you agree with the following statements?

● Strongly Agree
 ● Totally Agree



Conclusion

AI and technology will, and in many cases already are, redefining the roles and responsibilities of HR executives. While executives as a whole see the potential of this new technology, some uncertainty remains. From hiring teams with the skills needed to leverage this technology to concerns surrounding the lack of human touch, the industry is undoubtedly going to be reckoning with these and other issues for some time to come.

In the coming parts of this report we will explore other key issues facing the sector: the CHRO role in the C-Suite and board, and diversity. However, it is important to note that in these subsequent explorations, concerns related to technology continue to have a presence. Whether it be the need for the CHRO to deploy technology or the potential for bias in automated talent screenings, the adoption of new technology underpins many of the issues facing HR professionals today.

Survey Methodology and Demographics

The 37-question survey was fielded by FTI Consulting under the direction of Boyden February 16-March 27, 2019 among 310 global human resources and other senior executives in several industry sectors, including 50 executives from Australia, 25 from Brazil, 35 from Canada, 50 from Germany, 25 from Mexico, 50 from the United Kingdom and 75 from the United States. The sample includes 54 C-Suite executives, 148 Heads of Human Resources, and eight Executive Vice Presidents or Vice Presidents.

Years in Current Position

Less than 3 years	12%
3 to 5 years	25%
5 to 10 years	34%
10 to 15 years	15%
15 to 25 years	11%
More than 25 years	3%

Industry Sectors

Consumer & Retail	10%
Technology	8%
Media/Entertainment	less than 1%
Energy	4%
Industrials & Manufacturing	8%
Financial Services	6%
Professional Services	22%
Education & Research	15%
Travel	1%
Real Estate	3%
Other sectors	23%

Company's Annual Revenue

Less than \$100 million	28%
Between \$100 million and \$250 million	14%
Between \$250 million and \$500 million	16%
Between \$500 million and \$1 billion	14%
Between \$1 billion and \$5 billion	12%
Greater than \$5 billion	10%
Declined to answer	6%

Gender

Female	65%
Male	35%

Age Ranges

Under 35	32%
Ages 35 to 44	33%
Ages 45 to 54	25%
Ages 55 to 64	7%
Age 65 and above	3%