Managing Human Resources in a Digital Age: Interview with Dr. Kristine Dery, Research Scientist at MIT Sloan School of Management

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Interviewee Profile:

As a Research Scientist, Kristine’s work is dedicated to understanding how large companies are designing and leading for the digital era. In particular, she is interested in new ways of working and how companies are creating employee experiences that empower people to be the best they can be. Her research forms part of a portfolio of research studying the digital transformation of large, traditional organisations conducted by the Centre for Information Systems (CISR) at MIT Sloan School of Management.

In this context, she works closely with the CISR corporate sponsors in Australia and Asia, to further the research of CISR and to deliver customised seminars and executive education for their employees and other stakeholders. Her work at MIT Executive Education draws on her previous program management experience to manage and deliver content into a range of bespoke and regular courses. These teaching activities draw on both her research, published papers, and case studies together with an Employee Experience Digital Diagnostic (developed in partnership with her research colleagues) that enables participants to benchmark themselves against the wider population in her study. Kristine has taught and presented extensively in Australia, Singapore, Malaysia, Japan and the US both in interactive classroom settings, and more formal keynotes.

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Kristine was interviewed by the first author as part of a Global Talent Management project in October, 2018 at Griffith University, Australia. The interview was transcribed and edited by the second and third authors.

**Please describe some of the key activities your research centre is engaged in.**

At CISR, we have been looking at the employee experience for the last few years. We were keen to learn more about the new challenges for companies in building an environment for employees where they could grow and really flourish in a digital business world. The questions that really challenge us in our research are things like: what does it take to deliver the right environment to support and enable people in a digital world?, where do you have to invest?, what are the capabilities you need?, how would you know if you were successful? etc..

We separate employee experience from employee satisfaction or wellbeing. While we acknowledge that the wellbeing of employees is important, we distinguish employee experience as “the ability for our people to do their work effectively today and to reimagine their work of tomorrow”.

Our findings in a study of 382 organisations in 2016/17 was that the top performing companies based on our measure of employee experience performed very differently to the rest. In fact, the top 25% of companies, deliver twice the customer satisfaction, were twice as innovative, and 26% more profitable. So, not only are these companies with high employee experience reaping the benefits of increased revenue opportunities through better customer service and more innovation, they are also substantially reducing their costs.

Our research tells us that employee experience is not a “nice-to-have” option, rather it is a central part of the business model in a digital world. We measure employee experience based on two key components. The first is the ‘adaptive work environment’, all the components (space, technologies, networks, business rules etc.) that need to adapt to the changing needs of work in a digital environment. But this is not enough. The second is ‘collective work habits’ – think about it as culture if you want to, but these are all the things we do together (conversations, collaborations, sharing idea, contributing to others’ ideas) that form new ways of behaving, talking, and working.

So, it is more than just the capabilities of the talent and the tools and environment where that talent can thrive but it is also about the ability for that talent to actually have the conversations that contribute to the kind of innovative thinking, participate and redesigning the jobs of the future that you have to create this overall employee experience.

**In terms of strategic management of talent, what type of talent these high-performing companies are looking for and how are they attracting this talent?**
As firms develop new products, new innovations, new ways of providing services for the customer their need for talent also shifts. What is more important is how do you make the decisions about what skills you employee internally (within your own organization) and what type of skills are you looking for from the external market (contractors, freelancers, gig workers).

What we find is that large traditional companies, such as big banks, insurance companies, and professional services firms have moved from having most of their digital talent from being full-time employees to being largely outsourced. In our 2017 global study of 278 large organizations, 53% of those companies are sourcing more than 50% of their digital talent externally, including gig workers, contract workers, and outsourcing.

The biggest challenge for these traditional firms is that they are trying to execute very complex, very challenging digital strategies without the right people that can really enable that to happen. They are going to have to strengthen their ability to build relationships with the talent that have the skills to work effectively in a digital world. The danger is that right when companies need great talent, they are left to play with the B team.

Of those companies that have invested in employee experience, the top 25% are predominantly shifting from their outsourced model back into an in-sourced model. In order to flip the model and bring the critical talent back inside, companies are investing in great employee experience. They are providing great technologies for these people to work with, challenging projects to ensure that the key talent keeps learning, and they are dedicating resources for ongoing learning and development in digitally relevant skills and capabilities.

So, we see significant differences between those companies that have largely outsourced talent with lower employee experience, relative to those that have largely in-sourced talent with much higher employee experience.

So, your research concludes that from a sustainability perspective, focusing on local employee development or in-sourcing is one of the key criteria. Can you give some specific examples?

Yes, let us talk about DBS, a large bank based in Singapore. Until 2009, DBS was very traditional and hierarchical bank. Under the leadership of a new CEO, it was completely transformed for the new digital age to such an extent that in 2016, they were awarded the Best Digital Bank in the World.

One of the key reasons for this turnaround was that they really shifted their whole emphasis away from thinking about talent as traditional bankers to think of it as high-tech and digitally savvy talent, just like the giants of the digital world, such as Google, Apple, Netflix, and Amazon. They initially moved very much into a largely outsourced model to get the talent from the outside to get the speed of delivery and innovation that they needed but at the same time, they were growing talent inside and investing a lot in completely upskilling their talent pool within.
Over time, they have really invested in employee experience and they have paid attention to all the factors around digital transformation that not only makes the work much more interesting, but also provides an environment where digital skills are valued and rewarded. DBS has invested in technologies, completely transformed the nature of the way people work together in this organization, the way teams are formed etc. As a result, they have really been able to enhance their ability to attract and retain top level of digital talent. DBS have moved from outsourcing 80% of their digital talent to a model where most of the talent is now largely full-time employees.

**What are the implications for human resource management in the knowledge and digital economy, compared to the traditional HR tools and techniques that we have had in the past?**

Well, I am frustrated by the HR profession because I think they have been very slow to come to the party. This is not about traditional attraction recruitment and retention. You have to have a very different relationship with the talent that comes into your organization. You have to build an organization that they want to come and work for.

That is not about automating recruitment and selection processes, or new talent management platforms. It is about really investing in what it means to work here and building an organizational environment that makes it possible for digital talent to work effectively. It is about investing in employee experience to make it easier for people to do more complex work.

This means working with the CIO (chief information officer) and everybody in the leadership team to actively look for the speed bumps that are making it hard for your employees to deliver their best work, and then creating pathways to resolve those friction points.

This requires a whole different way of thinking from an HR perspective. It is complex. The talent we need to employ has many choices about where to place their efforts and how to engage with large companies. Their talent is in high demand so to get them to want to work with our more traditional organisations, we need to make it attractive for this talent to be able to come and play. Once they are recruited, we then need different ways to reward and assess their efforts, different structures that enable people to do the work that they need to do, integrated processes across functions to enable teams to form and reform based on project objectives, and opportunities for great digital talent to grow and thrive.

**At the micro level, the government has an important role to play here from the perspective of institutional development, immigration rules and assuring people that we will help you transition from the old economy to the new economy because the new economy is also going to create as many, if not more jobs, as they are being lost. So, there is lot of psychological, economic, political initiatives that are needed. What is your message to governments in terms of how they can play a key role in this?**

I have not focused much on this before but what I will suggest is that if you don’t have immigration policies that enable companies to employ this talent full time, then there is huge lost opportunity.
If you want to get great results and if you want these companies to be in your own country, you have to be providing the opportunity for them to access this talent and employ full time in your organization so that they can grow and develop it yourself to be providing an emphasis on learning and development.

In many countries, particularly South East Asia, they are really focused on government support for great learning and development opportunities within organizations. I think that is going to be crucial because we don’t have workforces that are trained in digital right now and if you go overseas to find them, they are not there.

Many companies in these countries talk about future-proofing their own people for the new world and so they are really heavily investing in learning and development platforms but it is not just about the platforms that offers the digital capabilities. It is also about self-created or self-directed appetite for learning within these organizations and that’s where I think the companies need a lot of support and help and the ability to be able to future-proof their own existing workforces.

When you look at South Asia, where, in countries like India, 50% of the population is under the age of 25, millions of people are looking for jobs, but they are confronted with this digital world where economic growth can take place without concomitant increase in jobs. So, what is the implication for these emerging economies with huge populations wanting to get their people out of poverty into the new world?

I am not qualified really to comment very much on that other than to say I have been to India and there seems to be an enormous appetite for self-directed learning. To boost it, there is suddenly, incredible access to learning capabilities right around the world, for example, free MOOCS (massively open online courses). Indians are highly motivated to keep learning, which is not the case necessarily in countries like Australia where the real challenge is getting people to understand that you don’t just stop your learning process once you leave university, that there is going to be an ongoing process and that never before that has been so important because we don’t have those skills. So, I have seen enormous opportunity in developing countries and I also see governments developing these capabilities right from school level.

So, what you are saying is that talent management in the digital world, by definition, has to have a global outlook. It is all about global talent.

Yes, most of the large firms in our study are looking at their talent globally and how to move that talent around to make sure it is in the right places when they need it. Our data shows that search capabilities in organizations are critical to great employee experience and yet companies are really not investing in high quality search capabilities.

So far, we have looked at employee experience for full time employees. But we have to be able to develop this concept of employee experience for a hybrid workforce, because whatever happens we are going to have a hybrid workforce going forward. Even those companies in our study that
have a predominantly FTE (full-time employee) model are only employing 78% of their digital
talent full time, on average. Those people coming in from the outside don’t always have the same
access to systems, to data, can’t find people across the organization, we don’t share our training in
the organization with them; all those things. We kind of have a one view of employee experience
for full time and another view of employee experience for the freelancer workers. That has to
change but it is also challenging and has risks. Technology is giving us a lot more capabilities to
be able to do that.

**In my work experience, I have seen companies with a long-term focus on talent development
investing heavily in employee training, only to lose them to competitors. Do you think that in
the digital world, this is likely to happen?**

This is what happens when traditional HR policies start to drive talent in a digital world. We start
playing a new game with an old set of rules. Let me give you an example: BBVA, a large bank of
130,000 employees based in Madrid, set out to increase their talent around data analytics.
Traditional HR policies often resort to poaching hard-to-find talent from somewhere else by paying
more…. that’s the simplistic way of getting them to come to jump ship.

To counter this BBVA created a data analytics group as a separate entity from the bank, so they
were able to provide an employee experience for those data analysts that really met their needs. It
turns out that data analysts want to be able to keep learning –learning from their peers, keep
challenging their skills, keep working on really interesting projects. One of the biggest reasons
why high performing talent often moves companies is not for money, rather it is because the
projects they are working on are not stretching them enough; not giving them enough ability to
grow.

So, BBVA were able to attract really good data analysts because they had this separate group.
They were able to identify really great projects within the bank because the data analysts were
working 3-4 days a week in the bank and really lifting the capabilities and the thinking around
what potentially could be done with data. What was so important, however, was the 1-2 days back
in the dedicated data centre. So, while these data analysts were staying business-relevant they were
still extending their skills with their peers in a dedicated data center of excellence.

That’s the world that we are seeing. Those companies that really invest in employee experience
are able to attract and retain talent very differently but that is a very different role for HR. HR
cannot just be using traditional levers around people management and stay relevant in the world
of digital.

**Can you provide some web links as additional resources for our readers to know more
about your work?**

Sure, the following links would give readers option to explore further:
• http://cisr.mit.edu/blog/documents/2017/06/15/2017_0601_employeeexperience_derysebastian.pdf/
• http://cisr.mit.edu/blog/documents/2018/07/19/2018_0701_datadrivenbbva_wixomsomeh.pdf/