



## Episode 91 Show Notes: What is HR's Role in Digital Transformation?

What does digital transformation look like in today's large companies, and how can HR drive this transformation? Tony Saldanha joins us to explain what digital transformation means and how it will impact every employee. He discusses the critical role that HR Leaders need to play – personally and professionally.

Tony Saldanha is the president of Transformant, a consulting firm specializing in assisting organizations through digital transformations. Tony ran both operations and digital transformations for Procter & Gamble's famed global business services and IT organization in every region of the world. He served as vice president of global business services' next-generation services. Tony is an advisor to boards and CEOs on digital transformation and a sought-after speaker. He is a globally awarded industry thought leader and author of *Why Digital Transformations Fail: The Surprising Disciplines of How to Take Off and Stay Ahead*.

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### Key Learnings From This Episode

- **Digital transformations - part of a company's living DNA.** The term digital transformation can mean different things to different people. Within the book it is discussed in the context of an industrial revolution. We're in the midst of the fourth industrial revolution. Unlike the first three, which were driven by machinery, electricity and the internet, this one is driven by digital technology, which is different because it is not a technology change. Every function, every process, and every person is going through a significant transformation caused by technology. In this case, it is digital.
- **Implications for organizations and companies.** This is not about replacing technology or an SAP project to bring in new equipment. It is about every person in the organization thinking differently in the digital era. Speed and agility are much more important than picking one thing and doing it right over and over again. Organizations are going to have to swap out technology and change processes – digital transformation becomes the living DNA of the company when every human being in the company thinks, acts and performs differently.
- **How people should think, act, and perform.** First, people should perceive change as a given and should be very open to change versus thinking of change as a threat. For example, Netflix has



disrupted itself three or four times, from mailing DVDs to streaming content to original content and to international programming, all within about 10-20 years. Others such as oil and media companies, have been doing the same thing for literally 50, 100 years. **Second** is the agility by which you react. Startups are 10 times faster than traditional companies. That's one of the hallmarks of a more agile organization. **Third** is the 'how' – to understand the partnership between humans and technology. AI is not coming for people's jobs. AI is just another tool. It is like the textile machinery of the first industrial revolution. It is going to affect jobs, but new jobs will be created. The combination of people plus AI will be the equivalent of people and the textile machinery in the first industrial revolution. The hallmark of this new organization is one that is not afraid of technology, one that embraces it and partners people with technology to take the company to the next level.

- **Implications for HR.** The digital transformation is a bigger opportunity for the HR community than it is for the IT community because digital transformations are 10% technology and 90% transformation change management. An IT professional knows how to do technology and change management with respect to technology. But, IT partners with the HR organization to understand the context of the organization. Is the organization change resistant or change acceptant? Is the change relatively near or do we have time? Who are the thought leaders? What is the best change strategy? HR leaders have to understand and believe they lead this change. The technologies may differ, but HR's role in owning how to transform the organization and understanding the skills and capabilities of the people makes this one of the biggest HR opportunities of a lifetime.
- **How can HR prepare organizations for the changes? First and foremost,** every organization needs to have a people strategy for the future. That includes trying to predict and forecast where they are going to be in terms of people's capability. HR needs to have a plan that includes upskilling and bringing in new talent and performance management to get to the right profile. Amazon is going to spend \$700M to retrain their people. One of the most technical companies known today is going to spend close to three-quarters of a billion dollars to retrain their people. Companies need to understand that technology is not static, especially



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in an industrial revolution. They are going to have to train and retrain and reskill their people repeatedly. HR needs to own the people strategy. **Second**, HR needs to partner with the CEO, CIO, and the digital officer to execute the change. In 10 years, you may have non-technical professionals writing low code algorithms to help them perform their work. Every transformation project, whether it is creating a new digital product or changing or rewiring the way companies work, is going to have immense change. HR leaders need to be there with the CEO and IT to drive that. **Third**, HR leaders have a role in driving digital literacy throughout the organization. McKinsey's research says only 20% of all the boards and CEOs have enough digital literacy to be able to lead their companies effectively in the coming digital era. As the learning officers of the company, HR leaders own that.

- **Creative ways for people to learn and develop.** Reverse mentoring is a great strategy to tap the expertise of younger workforce members. Use your ecosystem of suppliers and tap into startup companies. Keep an eye on what's happening, not just in a conceptual research manner but in an applied field area as well. What is the startup world doing on something as mundane as travel and expenses? Do companies have AI-driven purchase management? Tap into the startup ecosystem. Commit to staying in touch, to catch up, to read. Lifelong learning has to come back into play. If you're not making an intentional effort to learn, you can get outdated very quickly. A graph called Martec's Law talks about how technology grows exponentially, but organization capability grows logarithmically, which means it flattens over time. The gap between the organization and technology widens over time. Organizations will have a problem unless individuals, companies, and HR leadership make the concerted effort to bring those two things closer together.
- **HR's role in helping employees adapt.** Whenever there is significant change, there will be winners and losers. The role of HR leaders is to give everyone a chance. Some people will make it; some will not. AT&T set aside \$1B to retrain 100,000 employees. Loblaw's, a Canadian retailer, set aside a quarter of \$1B to retrain. Determine the number of people and the capability an organization is going to need. Then put together a plan that includes a 'one third, one third, one third' strategy. One third will be 'counseled out' because they are never going to make it. One-third of the organization will be retrained, and one-third of the organization is not concerning, they will adapt. You will also try to bring in people from the outside. You need to have a plan.
- **How do we strike a hiring balance in the digital world?** MIT's future of the work task force looked at the profile required of future employees and how to recruit them. Most companies use past profiles of what has made the company successful to hire future people, and that may not necessarily be what works for the future. Companies need to have a combination of whatever works, using



whatever behavioral interview process works in addition to ensuring a candidate has two specific skill sets. One is the ability to take risks and thrive in change. The other is the ability to work across ecosystems and collaboratively with others. It is much less expensive to retrain as many people in your company as you can rather than to go hire new people. The ability to have the right 'raw material' that you can retrain over time is really important. Attrition is costly.

- **Company culture and digital transformation.** Culture is the difference between stage four transformation and stage five. Stage one is automation. Stage two is siloed efforts. You might have really transformative work happening in one subsidiary or one function, but it hasn't reached the whole company. Stage three is where there is a corporate mandate, but the job isn't completed. Stage four is when you have finished the job, but technically not on the organization. Stage five is living DNA, where you've changed the organization's DNA. That means a culture that is extremely customer-centric. The common denominator across all successful large companies is that they are laser-focused on making their customers happy. Everybody else, including their stockholders, almost comes second. That's a remarkable reframing of the whole financial system of Wall Street.
- **How do you enable every person?** At Zappos, the call center person on the line can make financial decisions to make customer reparations. Empower every person in the company to do the right thing for the customer. Create an environment of agility and risk-taking. Large companies still use the annual performance review with ratings and rankings. Silicon Valley has moved to quarterly objectives and key results which is quicker. It also supports stretch goals and only achieving 70%, which is much better than meeting 100% of sandbagging-type goals. Google's analytics show that if you exceed your plans for two quarters in a row, you're labeled a sandbagger. It's actually not good for your career. Good elements of culture are agility and speed. Time is your enemy. Even if you think you're not getting it done perfectly, just get stuff done. It is those cultural elements that make an organization a stage five transformation engine.



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– Tony Saldanha

- **How can HR leaders help their organizations get started with digital transformation?** Work with your CEO, your leaders, and your technology



organizations on putting together a digital literacy plan. Understand the effect of technology on every part of the organization. Then, just get started with technology experiments. Silicon Valley startups learn by doing experiments. If something doesn't work, they change direction, and that's not necessarily the culture that we've established in large companies. More strategic, less tactical, and look at the full picture of what that plan needs to be.

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## Recommended Reading and References From this Episode

- [Why Digital Transformations Fail: The Surprising Disciplines of How to Take Off and Stay Ahead](#) by Tony Saldanha
- [Transformant website](#)

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