HR of the future: playing a strategic and transformational role
HR of the future: playing a strategic and transformational role

Authors:
Nicola Purrello - Principal
Gergely Lantai-Csont - Consultant

HR transformations

Telecom, Media and Technology (TMT) organizations have experienced rapid and turbulent transformations in the last few decades, with an impact on technology, business and society. Internally, some of the most drastic transformations have occurred in HR departments. The origins, extent and nature of that change, however, is a relatively little explored topic.

This report aims to provide an understanding of the past and present-day evolution of HR in TMT organizations as it responds to ever-changing market conditions. The content is based on interviews with current and former executives in the sector, as well as an analysis of global benchmarks.

HR functions can be broken down into eight main domains:
Until more recent times, HR played a supporting role in TMT organizations without any strategic functions, which were assigned to technological and market-oriented functions (e.g., sales and marketing). HR did not report to the CEO and was not part of the Executive Committee. Consequently, the HR organization was mostly devoted to administrative tasks, with a reactive/ad-hoc mindset to management inputs or employee requests. The focus was on managing labor relations and maintaining employee morale, while remaining attentive to the requests of top management.

For example, workforce planning was driven by current FTE and cost ratios, with succession planning only gaining importance in relation to seniority and business requirements. Rewards were not strategic, a fixed salary was the prevailing component in compensation management, and non-compensation benefits were non-existent or irrelevant.

The impact of industry and market trends

A wave of industry and market trends have challenged traditional HR organizations, particularly after the burst of the tech-bubble at the beginning of the century. These trends have impacted organizations over time, varying with the maturity of the related TMT market. Some of the key trends are:

- **Increasing market competition:** Many markets in the TMT space (especially Telecom) experienced a drastic liberalization of formerly state-dominated markets. Margins eroded under the pressure of cost-cutting measures and productivity improvements. As a result, HR management was called on to recruit and retain the best talent to boost productivity, or to lead large cost-cutting efforts driven by management.

- **Creation of multinational groups:** TMT organizations started to become multinational, pursuing additional growth and diversification. For example, Vodafone started new operations in more than 15 countries, with a mix of start-ups and partnerships with existing operators. With more complex and scattered operations, HR is called on to establish a consistent corporate
culture, manage peripheral operations (including remote local HR teams), and to ensure that talent can circulate throughout the organization.

- **Increased competition for talent:** International operations at multiple organizations increased demands on HR, putting more pressure on organizations to find and retain talent. In particular, Telecom operators are now competing with Tech giants (e.g. Google, Amazon) for digital talents. HR departments have to make sure that TMT operators (and in particular Telecom operators) stay in the game in the global battle for talent.

- **Flattening organization designs:** As new business realities demand faster time-to-market delivery, HR units have to respond by forming dynamic / interconnected teams using a flat and agile structure.

- **More sophisticated products/services:** Higher end-user expectations formed around personalized services, which increased demand for customer-facing roles and expertise in adjacent services.

- **Digital transformation:** The digital revolution made some traditional jobs obsolete and demanded new ones, with more specialized profiles. Use of internal HR cloud-based platforms have to be implemented along with digital platforms for customer engagement.

- **Different employee expectations:** To find and retain top talent, HR departments are required to develop more proactive global recruitment policies. This, in turn, conditions employee expectations in the form of more flexible employment policies, including flexible working hours and locations, meaningful work output and attractive office environments, among other offerings.

- **Rise of Big Data and Advanced Analytics:** New capabilities in processing bigger volumes of data coming from a wider range of sources and the widespread adoption of more sophisticated analytics techniques such as Machine Learning (ML) and Artificial Intelligence (AI) are enabling HR departments to discover deeper insights, make predictions and generate recommendations based on facts.

All HR domains in the TMT sector have been impacted by these market trends to a certain degree. Significantly, Succession Planning tasks also became a global exercise. Key positions are identified not only based on seniority, but also on the critical knowledge held by the employee. Rather than source talent from the outside, organizations now shift towards internally available capabilities, as in-house talent is repurposed and retrained to meet the required skillset.

Global TMT players have responded to these challenges by adapting their HR organizations. For example, Airbnb’s approach was to attract the most talented employees providing an outstanding employee experience, starting with the interview process. Its HR department maintained its traditional administrative and recruitment activities, but it was completely rebranded, known as an “Employee Experience Department” to strengthen the idea of an employee-driven culture.

Netflix has chosen a completely different approach. It created a high-performance culture by introducing a constant salary benchmarking process, where managers have the responsibility to benchmark the salaries of their employees.
The evolution of the HR organizations

The role of HR in TMT organizations has changed and continues to do so as a result of the industry and market trends outlined above. Organizations do not turn to HR simply to manage employees and implement management’s inputs, but rather to provide HR solutions and to introduce an enhanced workplace and HR services across a range of functions. Consequently, HR has become a strategic function and crucial enabler of business priorities.

The above transformation is possible if an HR organization undertakes shifts across several disciplines:

- **Responsibility**: Shift from providing mechanical tasks to providing specialist, value-added tasks, leading to the development of a competitive talent-driven advantage. HR must develop new specializations and competencies to fulfill the greater responsibility assigned by management.

- **Approach**: HR must eschew the “ad-hoc” approach, merely reacting to assignments, in favor of continuous cycles of service, proactively addressing the current and future challenges of an organization. This change can be enabled by progressively incorporating a data-driven mindset that will give more credibility to HR departments when pushing new initiatives across the organization.

- **Performance**: The success of an HR organization is no longer based on budget compliance or cost control. Instead, its success mirrors the entire organization’s success. KPIs such as ROE/RO/ ROIC are the new “North Star” for HR, leading to a major mindset transformation.

- **Empowerment**: HR needs to be given the relevance and visibility in the organizational chart that reflects its new strategic role. The CHRO officer should report directly to the CEO and be a part of the Executive Committee.

- **Role in the organization**: HR needs to become a business partner of the other business functions (sales, marketing, etc.) and a crucial enabler of their success and outcome. At the same time, HR must continue to oversee the health and consistency of overall company culture.

---

**Figure 2 – Required shifts in the evolution of HR organizations**

<table>
<thead>
<tr>
<th>Traditional HR organization</th>
<th>Strategic HR organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>RESPONSIBILITIES</td>
<td></td>
</tr>
<tr>
<td>from mechanical to value added tasks</td>
<td></td>
</tr>
<tr>
<td>APPROACH</td>
<td></td>
</tr>
<tr>
<td>From ad-hoc to ongoing service provision</td>
<td></td>
</tr>
<tr>
<td>PERFORMANCE MEASUREMENT</td>
<td></td>
</tr>
<tr>
<td>From cost control to ROIC</td>
<td></td>
</tr>
<tr>
<td>EMPOWERMENT</td>
<td></td>
</tr>
<tr>
<td>From marginal function to member of the C-Suite</td>
<td></td>
</tr>
<tr>
<td>ROLE IN THE ORGANIZATION</td>
<td></td>
</tr>
<tr>
<td>Towards a true business partner model</td>
<td></td>
</tr>
</tbody>
</table>
Designing the HR organization for the future: recommended approach

Organizations need to align internally on the role of HR and its targets going forward. That decision needs to be driven by each organization’s business requirements in keeping with the abovementioned industry and market trends. For example, relatively less developed TMT markets, largely unaffected by trends such as “agile” project management, “flattening organization structures” or “new employee realities” might not require a full HR transformation at this point.

Different target stages of HR also involve coordinating its relationship with the operating companies. Redefining these verticals is essential to empowering HR with the right tools and capabilities to play an essential part in the business. In keeping with this logic, Delta Partners recommends a three-step approach for operators.

Step 1) Clarify the ambition

TMT organizations need to first understand the business requirements of their sales, marketing, operations units before they can be translated into HR requirements. This analysis needs to include an understanding of industry trends that are already affecting the company or its market, especially those likely to impact in the short term.

In organizations where Group HR plays a strong role, this assessment should be done considering the business requirements of the most advanced operating company as the reference bar for the rest of the organization (unless that OpCo has a very minor business importance for the organization). On the other hand, organizations with a marginal Group HR role should run the assessment on a country by country basis.

Step 2) Measuring the gap with the desired target

TMT organizations should subsequently assess the status of their HR departments by measuring the gap with the desired target stage. The assessment should be done at the individual domain level, since there may be significant variation in maturity within an organization’s different OpCo’s, or even within different domains of the same OpCo. Delta Partners recommends an approach based on “best compliance to the target model.”

1. Define what an HR domain is expected to deliver at different stages of HR evolution.

2. Understand the current output, responsibilities, approach, etc. of each HR domain of the organization.

3. Match current output with expectations at different stages of HR evolution, opting for the stage that offers most similarities with the current situation.

Determining the overall status of an HR organization requires judgement, especially when maturity varies within a company or group of companies. Relevant criteria include the current importance and weight of the different HR domains (e.g. headcount, impact, budget, etc.) as well as the relative importance of different OpCos (if part of a TMT Group).

Step 3) Tailor the “blueprint” to the organization

Once the target stage of HR is clarified, organizations should develop a blueprint for reaching their ideal target and understand how to adapt it to their specific circumstances.

The target blueprint for each stage of HR is composed of several elements, depending on its stage of evolution, while the organizational structure consists of the target domains and their position in the HR organization. The position is defined by the placement of the HR function within the hierarchy of the organization — does it report to the CEO, COO or a Chief of Corporate Services?

Another important element to enhance are the internal HR capabilities. What are the expectations of the HR role and output? Individual capabilities may make the difference within HR as it becomes more specialized and domain-centric. Analytics profiles
will also need to be incorporated within HR teams in order to create the required analytical capabilities and foster the adoption of a data-driven mindset across the teams.

Several other elements will need to be defined for the target blueprint, including sizing, tools and target roadmap.

A roadmap for implementation

Organizations willing to undergo an HR transformation should also plan a roadmap for implementation. We recommend the following three-step approach:

• **Secure the quick wins**: Prioritize high-impact initiatives requiring no capex/opex investments (e.g. adjustments to the operating model, etc.).

• **Create transformation enablers**: Initiatives to create the required pre-conditions to execute the structural shifts in HR capabilities (e.g. recruitment of key positions).

• **Execute the structural shifts in the HR domains**: Initiatives — human and technical — to improve HR capabilities in order to reach the target stage. Within domains, priority should be given to those with lower implementation costs (e.g. less need to replace resources or invest in systems/tools) and greater feasibility.
Nicola is a Dubai-based Principal. He has 10 years of professional experience, eight in management consulting with a focus on telecom and media. He has advised several TMT organizations on HR and digital topics. His areas of expertise include corporate strategy, organization, development strategies and B2B/ICT. Nicola is a member of Delta Partners’ Media & Sports Entertainment practice, has an MBA from INSEAD and a MSc in Finance from Bocconi Business School in Milan.

Gergely is a Dubai-based Consultant. He has three years of strategy consulting experience. He has advised several TMT organizations on HR and organizational transformation in Sub-Saharan Africa, Middle East, Europe and Asia Pacific. His areas of expertise include digital transformation, organizational restructuring, mobile financial services and digital content. He earned a Master’s Degree from the EBS University in Germany.

If you would like to contact the author to further discuss this topic, you can email to:
np@deltapartnersgroup.com

Delta Partners is the leading Advisory and Investment firm specialised in Telecoms, Media and Digital with offices in the Middle East, Africa, Europe, Asia, Latin America and the United States of America. We partner with global and regional telecom providers, digital players, other TMD clients and our investors to help them address their most challenging strategic issues.

Our unique combination of Management Consulting, Corporate Finance and Investments creates unparalleled value for our clients, investors and business partners.

For more information, please visit www.deltapartnersgroup.com and follow us on Twitter @Delta_Partners

1 Delta Partners Corporate Finance Limited and 2 Delta Partners Capital Limited are members of the Delta Partners Group of companies and are authorised and regulated by the DFSA.