

LEADING THROUGH DISRUPTION



Skills Are The New Currency.

May 14, 2024

Dr. Christian Schmeichel, Chief Future of Work Officer at SAP, shares his key leadership lessons in this Leading Through Disruption interview with The ExCo Group EMEA Managing Director, Dr. Anastassia Lauterbach.

Lauterbach: Please walk us through your leadership journey and share how you joined the HR function.

Schmeichel: As a student, I enjoyed sports, particularly track & field. I was competing on a national level and discipline, team spirit, and excitement from training and competitions have certainly shaped how I approached my work life later. When I started my professional journey in strategy consulting, I benefited from the various insights I could gather while working there. After my PhD in Human Capital Management, I moved into the field of HR, simply following my passion for the topic. Looking back, I had many exciting roles for which I am very grateful since they offered me many opportunities to learn and grow, meet many interesting people, and impact many large-scale topics. For example, I was Chief Operating Officer for SAP's global HR organization, led global HR Strategy and Organizational Effectiveness, and spent several years as CHRO in a Japanese Subsidiary. I learned to appreciate cultural differences within an international business.

Lauterbach: You are the Chief Future of Work Officer, and your company is pioneering this domain globally. How did you transition into this position, and why did SAP establish it?

Schmeichel: The future of work is not a completely new topic. But over the last couple of years, particularly during the pandemic, we have witnessed a massive acceleration around it. Many companies have understood that preparing for the Future of Work isn't just a project that will end after a few months. It is a strategic imperative to make an organization future-ready for unprecedented change. And it is great to see that SAP, with a handful of other leading companies, established such a role on the C-level early on. The topic is strongly correlated to a company's future growth based on its workforce's preparedness level.

When the pandemic started, and many organizations asked their employees to work from home, it was about keeping people safe and ensuring business continuity. Once the pandemic ended, it was all about getting hybrid work right, fostering productivity and innovation. But the future of work is much more than flexible working models. With the world around us changing at breakneck speed, companies must systematically address organizational effectiveness and efficiency, looking into diversity and inclusion, staying an employer of choice, driving for a high-performance culture based on empathy and trust, and fostering skills agility. Ultimately, getting the Future of Work right means getting future-ready in light of the continued poly-crisis, with talent shortages and massive technological disruption.

Lauterbach: Edelman measures trust across governments, societies, and businesses. Trust has never been as low as now. Which role does trust play in the Future of Work?

Schmeichel: Trust is a foundational element of all successful organizations with organizational boundaries expected to become blurrier moving forward. The scope is getting broader than the current workforce. The stakeholder landscape also includes analysts, investors, customers, and people who may be applicants someday. The successful future of work must factor in a culture of empathy, trust, innovation, and care. Happy employees will lead to happy customers. That's a basic equation. Therefore, it's essential to have a clear and strong value system. The Future of Work will certainly see a cultural evolution, where organizations require a North Star, a clear sense of direction that will carry people through continuous change and disruption.

Lauterbach: Could you please describe your "architecture" of the Future of Work?

Schmeichel: Beginning with the end in mind is about having a realistic picture of the future business. There are many macro trends, such as the world getting more VUCA, climate change, demographic change, or massive technological advances with the rise of AI. We must blend these trends with the prism of the war for talent, which has even gotten more intense in recent years. In this context, a holistic Future Work agenda comprises three pillars.

The first pillar is the future of the workforce. When looking five or ten years down the road, what is the required skill mix, at what locations, and with which cost base? And taking into account technology and automation, how much AI or how many robots will be on the team? Being great in the Future of Work implies developing ways to effectively collaborate between humans and machines, whether software or robots. Nobody has a crystal ball, but developing data-driven scenarios helps to stay realistic. Strategic workforce planning sees a big renaissance, moving from big data to intelligent data, providing clarity around the target picture for the organization's future. This target picture translates then into the other pillars of the Future of Work agenda.

The second pillar is about the future of people and workplace practices. This means, on the one hand, bringing the bread-and-butter business of HR to the next level since the future workforce will require a different employee experience than previous generations. On the other hand, there are also new topics, such as flex work models or mental health practices including mindfulness. We actually offer training on mindfulness to our entire workforce of over 100,000 people across the globe. Particularly during the pandemic, we saw a massive demand which is not so much of a surprise given people obviously had time to reflect on what is important to them. They reflected on stress and its triggers and understood the importance of training their resilience muscle. Decades ago, companies delivered traditional safety practices. But health is much more than physical strength and protection.

The third pillar of a holistic future of work agenda looks at the future of the HR function itself. HR organizations need to evolve. This includes for sure a stronger digital backbone. Generative AI brings enormous opportunities. Equally important, though, the skill set of HR teams needs to be further shaped as well. HR is a profession; domain expertise is needed to get to a world-class level. At the same time, there are a lot of emerging skills. Take data-driven HR as an example. Knowing where to find, analyze, and how to visualize the right data is a prerequisite for well-informed talent and organization-related decisions. Telling the story around the data will support better talent development and mitigate organizational complacency.

The new era of HR is certainly a digital one. This doesn't mean that an HR practitioner will need to write code. It is rather about leveraging the systems, applications, and, for sure, AI to the utmost extent. AI offers opportunities to become more efficient on the transactional side and to use the time freed up for more value-adding activities. Another capability that will become more important is Experience Management in HR. Employees' engagement is paramount, and HR professionals must understand the expectations of applicants and the current workforce across different generations to manage accordingly.

Lauterbach: The world looked completely different when I started 32 years ago. We lived in an employer-driven world where candidates needed to pitch their skills. Even if the tables turned today, could you reflect on what skills can make a career?

Schmeichel: Skills are probably the new currency. People will change jobs much more often in the future than in previous generations. One basic truth remains valid, though: it is super important to follow one's passion. Passion means you like what you do and are usually quite good at it. It means you will have fun at work. Looking at what skills to acquire, a solid and broad foundation is always great as it allows exposure to a comprehensive set of fields and solidifies core skills. Many people today focus on IT, math, and science, which is great. But I wouldn't, for example, bypass languages as they are more than a tool for communication; they drive culture. The computer might be capable of translating for you. Still, it won't bring an understanding of different perspectives and subtle communication. At the same time, literacy in technology is paramount as we will collaborate increasingly with machines and AI. Finally, soft skills are key to success. Solving big, complex problems happens in cross-functional teams.

Lauterbach: Peter Thiel donates \$100,000 to college dropouts, saying that his investments created a \$1.9 billion value in companies these former students funded. Do you think this is the most misguided philanthropy, or does Peter Thiel have a valid point?

Schmeichel: In my view, formal education still has a lot of value. However, educational institutions

like universities must change and learn to respond to contemporary challenges. Everyone must embrace lifelong learning. Therefore, Knowledge Management is becoming a critical discipline in every business.

Lauterbach: How do you think about leadership effectiveness in the context of the Future of Work?

Schmeichel: Leadership on all levels must evolve, but it will always be about igniting people and making them rally around a North Star. However, effective Leadership in a fast-moving world can be quite demanding. It is much easier said than done. It also includes being vulnerable and showing that one does not have all the answers. And, at the end of the day, leadership is still a contact sport. It's about being close to people and ensuring they are engaged, have fun, and have the necessary resources to do the job.

Lauterbach: Businesses and executives today live in a poly-crisis. How do you measure the agility of a successful HR organization when transformation and change are the new normal?

Schmeichel: A successful HR organization is always closely tied to the business. Therefore, HR must move fast if the company is moving fast. It's all about running HR as a business, ensuring a proper strategy, prioritizing, and applying a data-driven approach to reflect on what works and doesn't. Of course, you can do many things, but getting the basics right is critical. These days, a must-have is that the organizational structure is agile enough to give people the right learning opportunities. Finally, corporate culture must support high performance while being responsive and reflecting diversity and inclusion. It is much easier for people to thrive in an environment where empathy and trust are linked to utmost clarity about the strategic direction.

Lauterbach: We wake up to negative headlines every week, but at the same time, we witness many acts of courage, leadership, and innovation. What surprised you positively in the past three to four years?

Schmeichel: I have been truly impressed with how fast organizations adapted to the pandemic's challenges. This is a testament that you can really move mountains if needed. It simply shows that change is feasible. And with many organizations embarking on a journey to shape the future of work, it is great to see the momentum. And I am very excited to be part of it!