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| John Sumser: | Good morning and welcome to HR Tech Weekly. Today we've got Stacey Harris and Erin Spencer. Stacey's back from her long retreat, and Erin is sitting in. Good morning guys. How are you? |
| Stacey Harris: | I'm doing well. Nice to be back in North Carolina. I have been out both of work for about a month and a half and I've been up in Ohio for a bit. It's nice to be back John. Thank you. Nice to get a chance to chat with both you and Erin. |
| Erin Spencer: | Always a pleasure. |
| John Sumser: | Erin, you're in Cleveland. What's it like in Cleveland? What a crazy place. |
| Erin Spencer: | It is. The Republican National Convention is going on, for those of you who aren't aware. Cleveland is just really very interesting. There are a lot of people carrying guns, which you just don't see on a regular basis, and you tell yourself that most of them are trying to protect you, but fortunately I work at home and I don't live downtown. I'm trying to ignore most of the crazy. It just seems easier that way. |
| John Sumser: | Great. Out here in California nobody has guns, well, or they keep them all hidden in the basement. Actually, it's more of the latter. Were out here at the edges of the underground economy, which is heavily armed, so we do see some of that. What's in the mailbag Erin? |
| Erin Spencer: | What's in the mailbag John? First of all, based on our conversations about location, we're going to chat about working in Silicon Valley and living in the Rust Belt, then we have some chatter about IBM and their revenues, also Microsoft, because Q2 earnings have been discussed this week. We can chat a little bit about Yahoo, and then if we get to it, Disney Interns and Twitter. John, I know you wanted to talk about some of the conversations you've had this week with Phenom People and Remesh, which I kind tend to think sounds like a shoe companies but they're not, so w'ere going to hear about new technology. Let's get started. |
| John Sumser: | It is hard to tell if it's new technology or shoe companies, branding is going to be increasingly important. What's the first one? |
| Erin Spencer: | What's the first one? Well John you, who live in California, live and work in California, and I, who live and work in the Rust Belt, we're going to chat about working in Silicon Valley and living in the Rust Belt. What are your thoughts on that and the whole virtual workplace? |
| John Sumser: | I saw a study of the other day that said that only ten percent of software developers actually work in Silicon Valley. Ninety percent of software developers work other places around the United States. What's happening, in part, is as the local population of software developers increases, the businesses start to form locally, and so Charleston, Boston, New York City, Minneapolis, Kansas City, even Tulsa, Oklahoma, Austin, Atlanta, all have these startup cultures that are starting to take off because people are so distributed throughout the country, but you can easily participate in Silicon Valley companies remotely today. |
|  | I wonder if that holds when it's time for the layoffs. It seems to me that layoffs always favor, there are always inside jokes about at the end of the project the non-participants taking the credit, and there's something to that in organizations, that being close to the boss physically is better insurance when the layoff comes, and layoffs always come. It's going to be interesting to see if, in the down turn, which will be sooner rather than later, the remote work idea still holds, but it'd be great to have a Silicon Valley paycheck in Cleveland. Man, you would be a king. |
| Stacey Harris: | I was going to say, Erin and I think, well probably not Silicon Valley paychecks, probably not exactly there, but for both Erin and I both have this experience. We're working for an Atlanta company now, but Ernst and Young originally, Erin, they had quite a few large offices out of the Silicon Valley area as well, right? Even though they were Cleveland-based originally. |
| Erin Spencer: | Yeah, EY's headquarters is actually in Cleveland and actually some of my neighbors work for them. It's interesting to see the differences in the cost of living, and in housing. Anytime you ever put in, in a calculator, what things cost in one place versus another. Stacey, you and I were having an interesting conversation about that, for those of you who don't know, Stacey and I have worked together for almost fifteen years, on and off, in various capacities, but we used to work together in an office. We used to see each other every day and now we only see each other virtually. She's living in Raleigh and I still am in the Rust Belt. |
|  | Stacey had an interesting theory on teams and how they best work together. Stacey, do you want to share that with our listeners? |
| Stacey Harris: | Yeah. This whole article hit home with me because as Erin and I were chatting about it yesterday on my drive back to Raleigh, North Carolina, this is exactly what I did. I went to work for, at the time what was Burson Associates, which was a virtual company but still headquartered, for the most part, out of Oakland, where Josh Burson lived, and I was in Cleveland. Part of the reason that it was a great opportunity for me and for Josh was that I was not nearly as expensive, probably, as the Silicon Valley resources at that point and time. |
|  | As things grew up the whole company was continuously virtually for almost, well, we were there for almost four or five years, just virtual, and then they added a headquarter about a year before I decided to join another organization. That headquarter changed the dynamics quite a bit. When we were all working virtually, people working all over the place didn't really make a big issue. We all worked fairly well together as a team, but once the headquarter came in place, there was definitely an us and them mentality. To your point John, the boss being closer in that case, because of the headquarter, because you're there every day working with them, might have had an effect. I think that was the real difference was how much of the headquarter, we're all going out to lunch, we're all going out to dinner, we're going to go out and have a drink, and have a conversation, and you miss those things, how much that plays into the boss's perspective of how valuable someone is in an organization. As you said, they take credit for it. |
|  | I do think from a financial and a fiscally responsible perspective the resources in middle America can do so much with what they're given. There's a real opportunity. The story was based off of someone who had worked in the Silicon Valley and moved out. They were able to keep their Silicon Valley salary and moved out to the Midwest. I think that's the really interesting thing, which is when you move back to the Midwest, do you keep some of the same cost of living expectations of salary that you get, which you don't start out with if you actually live in the Rust Belt, often times, when you take a job from the Silicon Valley. I don't know if that changes your perspective on it. |
| John Sumser: | Well two things. I dialed up a comparison of San Francisco to Cleveland. It's better than I thought. If I moved to Cleveland, I can own the entire city. Holy moly. |
| Stacey Harris: | At least the east and part of the West Side, yes. |
| John Sumser: | Oh, I don't know. I'm looking here and it says a one-bedroom apartment in the center of the center, the nice part of the center of the city, any apartment, is seventy-five percent cheaper. Seventy-five percent cheaper. |
| Stacey Harris: | If you move out to the country like most of us, out to the suburbs, I was forty-five minutes away from Cleveland, it's probably a little bit, probably a hundred and twenty-five percent cheaper. You can almost go down comparatively. Yeah. |
| John Sumser: | There's that but one of the things[inaudible 00:09:29] don't have enough experience with the headquarters field dynamic. If you're a successful company with more than ten years of experience, you know that there's always an us and them tension between headquarters and the field. It's often the case that the field is where stuff gets done, but then headquarters feels that they're disloyal because they're too close to the customer. That's the same dynamic in remote work. You get equally close to customers and the team if you are working from the field, and so you'd expect young companies to make tragic mistakes about managing the workforce. You'd expect young companies to do, even in the big companies, when the layoff comes it's a political process, and political processes favor the people who are physically close to the resources. |
| Stacey Harris: | Can HR technology address that, and HR address that? Is that something they can address and even out, or is that just the way it is? I think that's the big question, which is can you address this through process and technology, and more social, which I think is what part of that article was about as well? |
| John Sumser: | I've been looking a lot at the question of automated assessment of fit. What fit means, I'm watching a couple of cases evolve, fit is a code word for age discrimination, or gender discrimination, or gender preference discrimination, or religious discrimination, because fit means are you like us or not. There's some really big problems in the tools that are being conjured to do assessment automatically, and that would include selection criteria for a layoff, or a promotion, or succession planning, that sort of stuff, because algorithms are not capable of assessing how a choice would improve the organization. They're only capable of assessing whether or not something fits a historical pattern, and improvement is never a historical pattern. |
|  | I don't think there's a technical solution sitting on the horizon just yet. There may be technical solutions that make it feel more like the people who aren't directly in the office work in the office. Silicon Valley real estate is so expensive that even if you live and work in Silicon Valley, most of the people I know work out of their homes a lot, because that saves the money real estate charges. |
| Stacey Harris: | The two companies you were talking about earlier John, the Phenom and the Imesh was it? |
| John Sumser: | It's called Remesh. |
| Stacey Harris: | Remesh. Sorry. Are they doing assessment fits right now, because I know Phenom used to do some of that. Is that the space that they're in? |
| John Sumser: | Phenom People precisely automate the assessment of candidates, and builds relationships with active and passive candidates over time in order to produce a rank ordered list. It's an amazing system. It starts with a job description, and from the job description the Phenom People tool makes assessments about where the right places are to publish that, where do you go to searching for passive candidates, and it starts a cap prorating process of bringing candidates together in a pool as they are chauffeured through the employment website. |
|  | The system delivers completely customized content to each individual candidate based on their behavior and similarity to other tiny groups of candidates so that, as a candidate going to this employment website, you get a perfectly unique experience that is designed for you. The more time that you spend there, the more it gets to know you, and the more likely it is to give you options that are interesting to you. |
|  | Once you get all the way into the system and you've actually qualified for something, or the system believes that you're qualified, the ranking that the recruiter gets changes based on the recruiter's behavior. Let's say, they use an A to F system, you're an A candidate on a list of ten, but the recruiter doesn't look at your stuff. The system learns that the recruiter didn't think that was an A candidate and rearranges its ranking algorithm based on recruiter behavior. Very, very interesting. |
|  | It was so complicated that the underlying technology had me gasping for air, and it raised the very interesting question of whether or not buyers are going to be capable of understanding the technology that they're buying, and what that means. |
| Stacey Harris: | It puts a lot of power and the recruiters hands on some level, more so than anything else it sounds like. It puts that power back in their hands from where it's been with all the other algorithms, all the other tools, have been spreading it out a bit more too. |
| John Sumser: | I think it does that but it's also, you don't get inside of the tool to determine how it does the ranking for you. You don't get to do that. It's like Amazon. You're only ability to control it is by how you respond to the recommendations. |
| Stacey Harris: | How you respond to it, very interesting, and then Remesh, that one I haven't heard. Are they similar? |
| John Sumser: | Remesh is a very, very cool idea. One way of thinking about it, it's a kind of product that you can only do with machine learning, and I've never seen anything like it. Imagine that you are some executive, I'll say CEO but you could be the HR person doing a webinar about benefits, but you're some executive talking to some large group of employees. This tool allows all of the employees to simultaneously text you, and it takes that input, and adjusts it, and turns it into a conversational flow that the executive can interact with. |
|  | Let's say you have three hundred people simultaneously texting during the benefits thing, or during the CEO's speech, and people don't generally do that because it's so overwhelming. This is a tool that's designed to filter, and intelligently deliver to the speaker, a coherent flow that feels like a conversation. When it's at its best, imagine that you are sitting at your desk, you're watching a conversation between the CEO and this buffer that's communicating on your behalf, and that you can feed comments into that while it's going on. |
|  | The tool was designed by a really smart guy to do the following task. He is of the opinion that governments get in the way when two companies are at war with each other, so this is a tool that allows the citizens of the two countries to talk to each other without having to go through the government to have the conversation. The design intent in the original product was to build a machine learning tool that brought an end to war, and he's serious about this. I watched it, and it works. I watched it and it works. |
| Stacey Harris: | Erin, do you think that this could be an interesting tool for the RNC party this week? |
| Erin Spencer: | We've only got one more day. One more day. |
| John Sumser: | Those are those two, and I think this is just the beginning. Imagine, that's like having a live, real time employee survey embedded in every one to many communications that goes on in the organization. |
| Stacey Harris: | For the most part the underlying theme, it seems, in both of those technologies is the machine learning component, which leads to the next article, Erin, that you had, which was IBM beating the street and their Q2 sales for the cloud revenues, which has included in it their Watson component, which is their artificial intelligence, a machine learning tool. We also said, and I've been away for a month and a half, and I come back and I find out that Microsoft's decided to buy Linkedin and is now going to become the next big database in the world. Their numbers are up as well. Erin, anything in that article that surprised you about IBM beating their numbers? |
| Erin Spencer: | It's interesting. When you think historically IBM was just computers, computers, computers, and they're really investing and other things. You have to to keep growing. You talk about legacy business in this article, server hardware and V systems. That stuff does continue to shrink so you really have to keep reinventing yourself, and especially paying attention to things like AI, machine learning, and the cloud services. That's really what's going to keep, especially some of these much bigger companies, going. |
|  | However, when we talk about big historical tech companies, our next article is Yahoo. They have essentially put their search, email, advertising, and media operations on the market, and they're trying to sell off piecemeal the parts of the company that are actually theoretically worthwhile. Obviously you've got to keep growing and changing, but Yahoo, looks like it's shrinking and, I hate to say it on its last legs, but especially tech companies. They just don't last forever. |
| Stacey Harris: | Unless they're rechanged. John, you've been watching this market for quite some time, particularly what's happening with Microsoft. What do you think is the difference between IBM, Microsoft, and Yahoo, besides some real technical stuff? |
| John Sumser: | I think that's exactly right. Yahoo made the judgment error of thinking that it was a media company. Many years ago they hired a Los Angeles media executive to run the company, and made investment decisions that took them from being a fundamentally technical company to being a hybrid, wannabe television, and movie, and news, and music production company. They really just had, Erin and I were talking before the show that no matter how good your HR systems are, and how well they predict your hiring approach, and no matter how much advantage they give you, they cannot compensate for bad management. Yahoo has had a history of bad management. |
|  | Now, IBM's had some bad management, and Microsoft has had some bad management. The process of succession is really a political dogfight and people who are great at winning political dogfights are rarely really great at thinking about what it takes to run the business. Narcissists generally don't, there's some evidence of this in the larger culture, that narcissists don't really do a great job running businesses. They happen to have had the good fortune of simultaneously fluking into pretty good managers. |
|  | They're moving to the cloud, but moving to the cloud is a next town thing dodge. It's not really a technical thing. It's you have to survive the transition of revenue from revenue that occurs when you invoice to revenue that occurs when you deliver on a subscription. There's a painful period of transition between a standard accounting and cloud accounting that both of the companies have survived, so they're going to do well. It doesn't tell you anything about their software or their technology. |
| Stacey Harris: | Do you think they really fluked into good management though, or do you think that because some element of it is because they stuck with the idea of knowing at least who they were, from a technical perspective at least, and they basically, recruit is probably not the right word, they had a brand that brought the more technical rather then the more media savvy. That seems to me to be a big win on both of those parts is that the brand held strong for a while, even through the downturn. |
| John Sumser: | Yeah. I'm not sure. In Microsoft's case there is a dynamic where the person who succeeds the founder never does very well because they're not the founder. Anybody who's worked in any organization knows that the person who starts the organization is always succeeded by a political moron. It just happens. It happens over, and over, and over again, largely because founders can't see very clearly through the people who say yes to them a lot. Microsoft had to survive Ballmer and that was ugly. That was ugly. The technology rotted while Ballmer was in charge, so their reputation was on the slide and this new guy seems to be able to energize the core underneath the bad reputation, so maybe Microsoft will really pull it off. |
|  | The same thing is sort of true with IBM. IBM goes through these cycles. It's either a sales company with service, or it's a technology company. It vacillates between those two poles, and it always does better when it's a technology company. It seems to me that they're swinging into the phase where they're a technology company, but as soon as they start making a lot of money the sales guys will take over and spend it all. It's a cyclical thing at IBM, and that cyclical thing is liable to go on for several hundred years because they're so good at it. |
|  | I think that the cloud stuff is flavor of the month in those big companies, and it's what you tell investors when it's not really the story. The story has more to do with getting the organization focused on things that make money. |
| Stacey Harris: | That's actually quite an interesting conversation, which is all technology companies at some point realized that services make more money that the technology. It just happens over time because doing something that doesn't require a lot of technical stuff tends to generally make you more money with just the people resources, and that you can do it as a repeatable component, at least towards the end of most of these cycles. At what point are the services and the technology meshed in the world that were heading into with cloud, because now you have to have good technology and good services to keep things moving. Are these sort of cycles going to be a little less large, do you think, of swinging? |
| John Sumser: | I think the cycles are going to get tinier, and tinier, and tinier, because technology is outstripping our ability to understand it at this point. Whether or not that's the singularity, I really have been at this a very long time, and the Phenom People demo just blew my socks off. I could understand it at the highest of levels, but when it got into the intricate workings of the tool, it was so sophisticated that I couldn't keep up, and it's so complicated under the hood that I don't know how you manage them when you have them as clients. By the way, if you want to see the Phenom People thing in action, it's the engine behind the Deloitte US career site. You can go there, and if you refresh your browser and clear your cache so that you can see what happens when you go back several times, you'll notice that it gives you completely a individualized experience, really interesting. |
| Stacey Harris: | Erin, the last article you pulled up was this Disney intern temporary fired over Twitter posts, so wrapping up all these different conversations about technology, and services and things. At the end of the day this all comes back to the people and who we have working for us. |
| Erin Spencer: | Absolutely. There are things that you can can control and that you can't control, and frankly you can't control your employees Twitter feed. You'd like to think you can, but you can't. |
| John Sumser: | It's against the law to. It's against the law to. It's not just that you can't control it. It's a violation of fair labor standards. To tell employees what to say in their off hours, on their personal property, is against the law. We don't have slaves in this country. That whole premise that what you can do is tell people what to say in social media is flawed, but Disney's a progressive company. If Disney's making the mistake, imagine what it's like in manufacturing. |
| Erin Spencer: | Absolutely. As you know another part of this too is that you need to be sure that your also sending consistent messages. Part of this is based on the alligator incident at one of the Disney resorts, and I think that companies need to be especially aware that you're not on a twenty-four hour news cycle anymore. With Twitter people can put stuff out immediately, and it's there, and people read it. The speed of information is just so fast that there's absolutely no way to control things and put a spin on it before the evening news at 6:00, when somebody tweets something out and other people read it two seconds later. The speed of information in business today is something that companies can't afford to overlook. |
| Stacey Harris: | I think even beyond that is the fact that at what point are we- This was a terrible tragedy, that alligator incident with the two-year-old, and for Disney, and for the families and everyone involved, but what Disney was trying to do was minimize the fear that might happen in their parks. The employee, the intern, was basically saying if I knew what you're not telling them, I would be more careful. I think the people around would be more careful with their children. |
|  | There's this conversation about what does each person feel they must share about what's happening and corporations. I know John and that you said they can share anything they want, but people daily sign agreements that say they can't share information because it could be damaging to a corporation, or it could be damaging to a brand these days. That's becoming more and more common. It's one of the challenges that we have with sexual harassment issues going on right now. Do you see that this conversation is going to get more on the ethical and law side? |
| John Sumser: | I think that companies, as long as they haven't had the problem that Disney's having, will continue to act as if it was the 20th century instead of the 21st, but you cannot tell people what to say. You can't. You can't. You can't really tell them what not to say, but you certainly can't tell them what to say. Anytime this moves over from yes you have to protect trade secrets, to no, you can't say that, you're treading on thin ice. |
|  | We've blown through our time. Let's say goodbye. Thanks for being here. It's great to have you back Stacey, and we will talk next week. Have a great day everybody. Bye-bye. |
| Erin Spencer: | Thanks John. Thanks Stacey. |
| Stacey Harris: | Bye. |