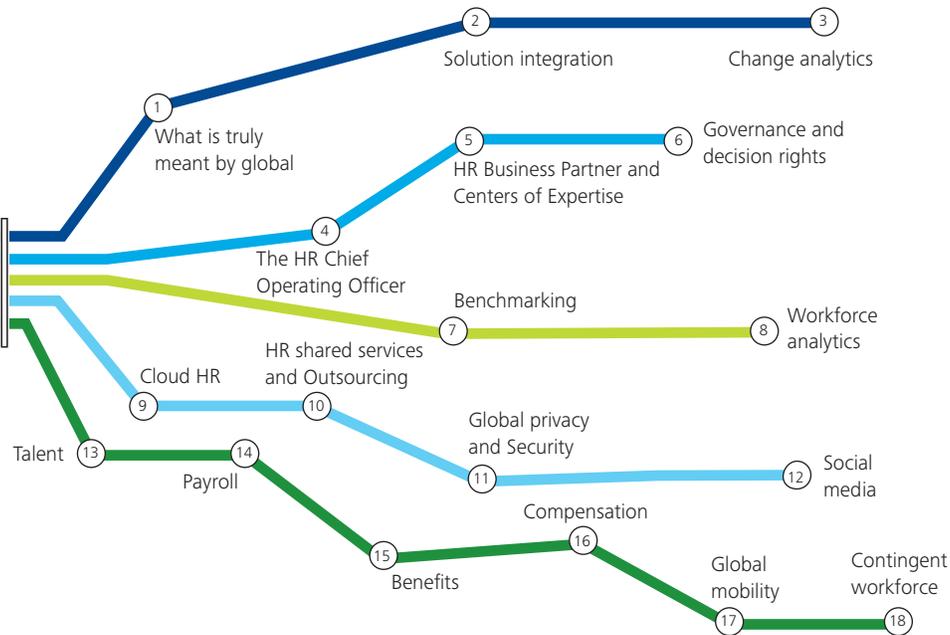


# Global Business Driven HR Transformation: The Future Starts Now



■ Setting the global HR Transformation strategy
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# Global Business Driven HR Transformation: The Future Starts Now

The global business environment is experiencing unprecedented change, and human resources (HR) should develop new capabilities if it wants to remain relevant.

Our world's social and economic center of gravity is steadily shifting from west to east. Many developing countries are facing a 'new normal' characterized by ongoing economic uncertainty, lingering underemployment, excessive debt, and stagnant consumer demand. At the same time, emerging countries are flourishing as their expanding populations and growing middle classes give rise to a new and powerful pool of consumers and workers. And all of this is happening against an unpredictable backdrop of natural disasters, political upheavals, dwindling global resources, and wildly fluctuating commodity prices.

These forces have significant implications for the future of business and HR. And the future starts now.

## Next generation HR Transformation

In the past, HR Transformation mostly focused on making existing HR services more efficient, effective, and compliant. The unspoken assumption was that HR was already doing all of the things that needed to be done; it just needed to do them more effectively, faster, and cheaper.

Now, the rules of the game are changing. Basic HR capabilities — such as efficient and effective service delivery, integrated HR systems, employee self-service, and timely access to relevant/correct workforce data — are as important as ever. But today, they are merely table stakes: basic building blocks that each HR function should possess.

Looking ahead, what businesses should really consider are HR capabilities that do not just support the business strategy — but enable it. For example, HR can enable business growth by developing standard, repeatable systems, processes, and capabilities that make it fast and easy for the company to enter new geographic markets and integrate new acquisitions. HR can also enable business growth by developing new staffing models that fit a modern workforce, increasingly based on offshore talent, contingent workers, and global mobility.

Transforming HR to deliver forward-thinking capabilities like these can help companies respond more timely and effectively to changes in the business environment, expand their global footprint, and increase revenue and margins. The results? Improved competitiveness, profitability, and growth.

### Business drivers that affect HR

In order to develop HR capabilities that can enable a company's business strategy, it is important to understand the critical drivers that are shaping that strategy. This section highlights some of the market forces and trends that are likely to influence business strategy (and HR Transformation) in the months and years ahead.

This should not be viewed as a broad list, since the actual drivers are particular to each business, industry, and region — and generally change over time. However, the drivers presented here are likely to have a significant impact on the business environment for the foreseeable future, and are factors that each company should consider. They also provide the foundation for a broad set of examples to illustrate the types of issues businesses are wrestling with, and how companies can proactively develop HR capabilities to support and facilitate their business strategies.

**Growth.** Revenue and market growth are essential for competitiveness and long-term shareholder value. In fact, growth is so important and pervasive that most of the other business drivers listed here are in some way related to it. Until recently, businesses primarily grew by hiring additional in-house staff. But these days, the formula for growth has become far more complex — involving acquisitions, new staffing models, new technologies, and new approaches for finding, attracting, developing, and managing talent. Moreover, today's companies aren't just looking for growth; they are looking for profitable growth, which significantly increases the challenge. For HR, the key is to develop new capabilities that can enable the business to expand as timely and efficiently as possible.

**Globalization and emerging markets.** As business becomes increasingly global, companies should improve their ability to build and manage a global workforce — often in places they have not operated before. Many companies are seeing their global footprint shift from west to east as they pursue opportunities for accelerated growth in emerging markets. By 2050, the global population is expected to grow by 50 percent — primarily driven by India and China. Yet 70 percent of the world's corporate management is currently located in Europe and North America. To thrive in this new environment, companies need HR capabilities that can enable them to effectively realign their workforces with their changing global footprint. They should also consider creating an operating environment in which global and virtual teams can thrive. Critical capabilities include improved global mobility programs that make it possible to move employees between countries efficiently and easily; standardized and repeatable HR processes and systems for entering new markets; and new staffing models that use outsourcing, contingent workers, and strategic partnerships to improve scalability and flexibility.

**Cost pressure.** Many companies are under constant pressure to reduce costs. And while HR has made tremendous strides to manage its costs and improve its operating efficiency over the past two or three decades, there is usually room to improve. That said, it is important to remember that HR must not only be efficient, but also effective and compliant. The direct impact of improving HR's internal efficiency is relatively low. To have a greater impact on costs, HR should focus its specialization on people-related costs that are outside of the HR budget, such as pensions and health care. Another way for HR to contribute is by helping the business reduce the 'cost of work' through improvement initiatives that focus on things like worker productivity and management of contingent workers.

**Talent.** Most savvy business leaders know that having the required talent is critical to business performance and growth. But putting that insight into action can be a significant challenge — especially in the midst of a changing talent landscape. Around the world, jobs are moving from mature markets where talent is expensive and scarce to emerging markets where talent is cheaper and more plentiful. This fundamental shift requires companies to consider developing new HR capabilities for managing a global supply chain for talent — just as manufacturing companies have had to learn how to manage a global supply chain for products. Demographic shifts at both ends of the age spectrum are also having a big impact on talent. Many companies continue to face a mass exodus of retiring baby boomers, even as they struggle to deal with an influx of young workers who have different needs, skills, and expectations than their elders. This changing workforce requires new talent management capabilities in areas such as leadership development, workforce planning, strategy alignment, and workforce diversity.

**Innovation.** The days of relying on a small, elite group of innovators are over. In today's business world, breakthrough ideas and continuous improvement can come from anywhere in the organization. To tap into this priceless resource, leading companies are developing new ways to help their employees around the world collaborate and share information. And more often than not, HR is at the center of the action. Whether the task is developing a 'people portal' that bring employees closer together; working with the business to create a more innovative culture; or developing new rewards programs and performance management processes to promote innovation, HR has a valuable role to play in helping companies use innovation as a competitive weapon.

**Emerging technologies.** New technologies such as cloud computing, social media, and mobile devices affect HR in two ways. First, they help enable HR to deliver services more efficiently and effectively. For example, cloud computing can reduce the cost and time required to develop new HR solutions, and can improve scalability, enabling HR to effectively and efficiently grow or shrink its capacity and capabilities in response to changing business needs. Second, and perhaps even more significantly, new technologies raise the bar on what HR's customers expect. For example, thanks to smart phones and the Internet, today's employees expect the ability to access HR systems and services 24/7 from anywhere on the planet. Similarly, today's recruits expect the ability to interact with a company and its HR function through social media. HR can use emerging technologies to satisfy these ever-increasing expectations, and to deliver new innovations quickly and affordably.

**Mergers and acquisitions (M&A).** Mergers, acquisitions, and divestitures have become a standard part of business strategy. Yet HR still tends to approach each M&A deal as a once-in-a-lifetime event. Also, HR's goals are often limited to achieving cost synergies and integrating workforces from an administrative perspective. Although such goals are important, they are just a starting point. What companies should really consider are HR capabilities that make mergers, acquisitions, and divestitures fast, efficient, and repeatable. These new capabilities should include the ability to effectively and reliably combine two distinct workforces into a truly integrated organization that can help the business achieve its growth goals. They should also include an improved ability to retain critical talent. The value of a merger often hinges on the talent being acquired, and if too many people leave, much of that value may be lost.

**Risk and compliance.** This business driver affects HR in a number of ways. On one level, HR must deliver services that comply with local labor laws and workforce regulations — a challenge that is magnified as a business expands its global footprint. On another level, HR must also comply with broader business regulations, such as those related to data privacy and security. Although these regulations are not specifically targeted at HR, they often have significant HR implications due to the highly sensitive nature of HR's work. Finally, HR can play a valuable role in helping a company manage the change associated with developing a risk-intelligent, compliant culture — a culture where employees understand the full impact of their actions and take smart risks that are consistent with the organization's policies and objectives.

### Guiding principles for HR Transformation

When developing and implementing new HR capabilities, there are a number of useful design principles to consider. These guiding principles can help you create HR Transformation strategies, initiatives, and solutions that make sense for the future.

**Business-driven.** Consider developing HR capabilities that align with your company's strategy and business needs. Focus on high-impact HR activities that can create significant value for the business, rather than commodity activities such as transaction processing and administration. Ideally, HR Transformation should be integrated with business strategy, so that new HR capabilities are developed in sync with the business and are readily available when needed. That's a big shift from the usual approach, where HR is not involved until late in the game and may thus become a bottleneck that slows things down and limits the business' strategic options.

**Scalable.** Establish HR capabilities (i.e., systems, processes, programs, infrastructure) that can effectively, easily, and efficiently adjust to changes in business demand — whether that means scaling back in the face of a global slowdown,

ratcheting up for growth, or navigating the twists and turns of local markets.

**Repeatable.** Develop demonstrated HR capabilities that can be rapidly and efficiently deployed in new situations — instead of reinventing the wheel by treating each new challenge as a one-time occurrence. Repeatability is especially important for business events that are likely to recur, such as new market entry, M&A, and global mobility.

**Standardized.** Create HR systems, processes, and policies that are as standardized as much as possible. Standardization can improve efficiency, consistency, and collaboration across the global enterprise — and makes it easier to move resources across global boundaries. The default approach for HR Transformation should be “why not standardize?” Although there are situations where a nonstandard solution is truly justified, those situations are the exception rather than the rule. In the manufacturing business, there's a saying that 80% standardization beats 100% variation, and the same philosophy applies to HR.

### Looking ahead

The business world is changing, and HR should adapt accordingly. Although efficiency, effectiveness, and compliance are still important transformation goals, they now represent the bare minimum that HR is expected to deliver. What businesses really need are HR capabilities that do not just support the business strategy, but enable it — making it possible for the business to design and execute strategic moves that capitalize on HR's capabilities, rather than being limited by them.

This forward-looking vision for HR Transformation doesn't end with making HR strategic and getting a seat at the strategy table. It presumes HR has a seat at the table and focuses on what HR will do with it.