Transforming HR to Meet New Business Priorities

HR transformation efforts are continuing to shift their focus to business priorities, concentrating on areas such as talent, emerging markets, and the HR organization.

In the past, HR transformation focused primarily on making existing HR functions more efficient and effective. The unspoken assumption was that HR was already doing all the things that needed to be done; it just needed to do them faster and cheaper.

But excellence at traditional HR services – such as integrated HR systems, timely access to workforce data and effective service delivery – is now the price of entry, no longer a competitive advantage. Today, HR capabilities must not only support the business, but enable business strategy.

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To fulfill its new role in accelerating business growth, organizations are using HR transformation to design HR and talent systems that can work across geographic boundaries, creating a framework that is flexible enough to support different business models. The goal is to create a common global HR delivery framework that can be tailored to the demands of local markets and business units – a mass customization approach that provides differentiated services to various segments within the business.

Cloud-based HR solutions are laying the foundation for real-time HR analytics and broad-based benchmarking. This advance in technology represents a seismic shift in the ability of HR to move from historical reporting to developing predictive capabilities.

Not only is the architecture of HR transformation changing; the sequencing of its implementation is changing as well. Traditionally, organizations launched HR transformation efforts in established, large markets such as the US and UK. Today, companies are introducing HR transformation in markets that offer the greatest business value, including emerging markets, and building the architecture out from there. This may mean prioritizing business impact over short-term cost savings.

What's driving this trend?

Keeping pace with growth, improving business performance. Growth comes from two sources: developing new products and services and expanding into new markets. From a talent perspective, pursuing these strategies often requires scaling up existing talent and developing and retaining a workforce on short notice in a highly dynamic, competitive market. HR leaders are gearing their talent models toward keeping up with the pace of growth and removing bottlenecks in the talent pipeline.

Emerging markets. Traditional HR transformation was driven by its ability to generate cost-saving solutions. That mandate has shifted. Today, companies want HR transformation refocused on the most important growth and business opportunities. To large organizations, the choice of whether to transform HR to eke out savings, or to invest in a scalable and flexible platform that enables the company to penetrate the booming Asian markets, is obvious.

Supporting mergers & acquisitions and new ventures. Slow economic growth has led to a new parade of mergers, acquisitions and divestitures across the corporate world. Supporting the talent needs of M&A and joint ventures is becoming a critical HR mission. This demands HR leaders deliver scalable, targeted, solutions to organizations, often in far-flung regions. HR needs to enable and accelerate these business strategies, not slow them down.

Enabling technologies. New technologies are providing HR leaders with innovative tools to envision, plan and execute transformation solutions. Cloud, social, mobile, collaboration and analytics are quickly becoming the norm, not optional features and functionality. Current and prospective employees in both mature and emerging markets are utilizing social and mobile technologies to interact with the organization and within it. Analytic tools are producing new insights gleaned from "big data," leading to better decision-making for business strategy and transformation deployment options.

Practical implications

Talent-led strategies. Identifying and developing the next generation of corporate leaders has become a clear talent imperative. Meanwhile, the global race for talent continues apace driven by the need to fill critical skills.

HR leaders are aligning talent management strategies accordingly, identifying high performers and helping to match them to the right development opportunities across the company and in key markets. Talent management strategies at forward-leaning firms now focus on improving leadership development programs, initiating new workforce planning capabilities and performance management tools and accelerating diversity programs.

One global health care and pharmaceutical company focused their global strategy on developing new products for the China market. The company looked to HR to mobilize employees and establish an innovation hub in Shanghai. HR leaders focused first on the business goal and then aligned talent to help achieve it.

Emerging market-led strategies. Firms are developing HR capabilities to match their dynamic, global presence. Talent leaders are improving global mobility programs to move top talent around the world more efficiently and easily. Companies are encouraging an environment that enables global and virtual teams to collaborate and thrive. And they are designing new, scalable staffing models that can flexibly draw upon contingency workers or use outsourcing as needed.

Underpinning these HR efforts is a deep understanding of the markets and why they are key to the business strategy. HR leaders understand how the business environment and strategy differ in each market, have determined what drives those distinctions, and use those insights to create the solutions critical to the company's success.

A global insurance company with over 60,000 employees in more than 80 countries realized that its HR organization was too costly and not fully contributing to business strategy. More than 180 different HR and payroll systems served this global workforce. Given the scale of the challenge, the company decided to launch its global HR transformation program in emerging Asian markets. This strategy enabled the company to focus on smaller, strategic components of the business, allowing it to achieve

quick wins and build significant momentum. Although the scope was complex – including case management technology, new HR technology, and new outsourced payrolls – the initial pilot programs were complete in less than six months. Since then, the solution has been deployed to over 30 countries with 23,000 employees.

M&A-led strategies. Leading companies view the M&A process as a chance not only to integrate two or more existing systems, but as an opportunity to change and improve HR systems for the new organization. HR's 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.

In the wake of a failed acquisition, a global telecommunications company launched a major cost-cutting initiative, which uncovered serious challenges to its HR systems. The company's existing HR technology platform was expensive, non-complaint in critical areas, and no longer supported by many of its software providers. The need to upgrade the system was flagged as a looming business risk and a driver of even higher costs. A few months later, a new, successful acquisition was completed, offering the opportunity for a full-scale HR transformation program that included benefits administration outsourcing, multi-year HR systems prioritization, consolidation and improvement. The result: reduced costs today and the elimination of unexpected costs in the future.

HR organization-led strategies. As HR leaders focus on key business priorities, they are also focused on building out core HR operations, including shared service centers and centers of expertise. This focus on business priorities is shining the light as brightly as ever on the role of HR business partners.

Implementing an effective business-partnering model can be an effective way to accelerate the evolution of HR functions. HR Business Partners match deep knowledge of the business with deep knowledge of where to apply services and solutions. CHROs at leading organizations are establishing business metrics for their Business Partners, not simply HR metrics. This means successfully integrating acquisitions to improve performance; ensure companies have the right talent to drive innovation; and helping companies operate effectively in emerging markets by clearing potential roadblocks such as tax issues or talent gaps.

A global manufacturer faced fierce competition in home and new markets, along with new leadership and a new business strategy. Corporate leadership turned to HR to review and redefine the company's global HR and governance structures to make them more focused on the organization's strategic priorities. The new HR structure relies on HR Business Partners to guide the next stage of HR transformation, involving systems replacement and a focus on talent analytics, learning and leadership development.
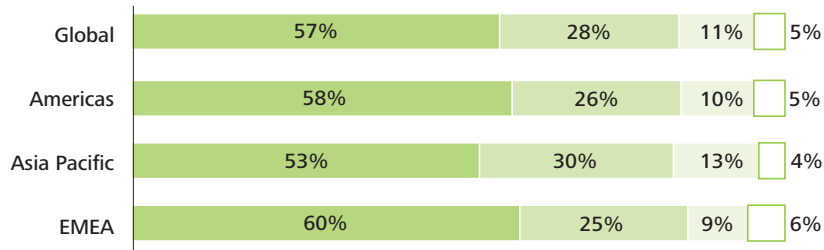
Lessons from the front lines
Start a new conversation with the board focused on business priorities. Are CHROs asking their boards to invest in an HR transformation that promises to deliver a new HR system or new payroll provider? Or are they starting a new conversation with the board, focused on business priorities, such as transforming HR to complete acquisitions companies in half the time or standing up a new, scalable HR function as the company advances into new markets? Selling improvements and upgrades to current systems is no longer sufficient. In making the case for HR transformation, focus on strategic outcomes, not technologies and tactics.

Develop playbooks through active simulation. The HR team should create playbooks that can be implemented given a variety of business situations. These playbooks are developed by actively simulating different scenarios and then producing action plans based on these simulations. Instead of drawing up new plans to meet every new challenge, HR systems, processes and programs must be repeatable, especially for business events that are likely to recur, such as new market entry, M&A and global mobility. At the same time, the HR model should be flexible enough to adapt to changing business demands without requiring a complete transformation effort.

Be prepared to run more than one play. HR Transformation cannot be one-dimensional. A company may have a payroll risk issue that needs to be addressed in the US, while expanding in China. Meeting these demands may require drawing from more than one playbook, combining both an emerging market-led strategy and an HR organization-led strategy.

Transforming HR to Meet New Business Priorities: Survey highlights

Relevance by region

Region	Trend is highly relevant today	Trend will be relevant in the next 1-3 years	Trend will likely be relevant in 3 years and beyond	Not applicable
Global	57%	28%	11%	5%
Americas	58%	26%	10%	5%
Asia Pacific	53%	30%	13%	4%
EMEA	60%	25%	9%	6%

- Trend is highly relevant today
- Trend will be relevant in the next 1-3 years
- Trend will likely be relevant in 3 years and beyond
- Not applicable

Region	Total
Americas	315
Asia Pacific	582
EMEA	412
Total	1309

Digging deeper
- 85% respondents rank this trend as the third most relevant trend today and in the next 1-3 years
- Consumer Business industry respondents ranks this trend as the top most relevant trend (66%)

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