Deloitte.

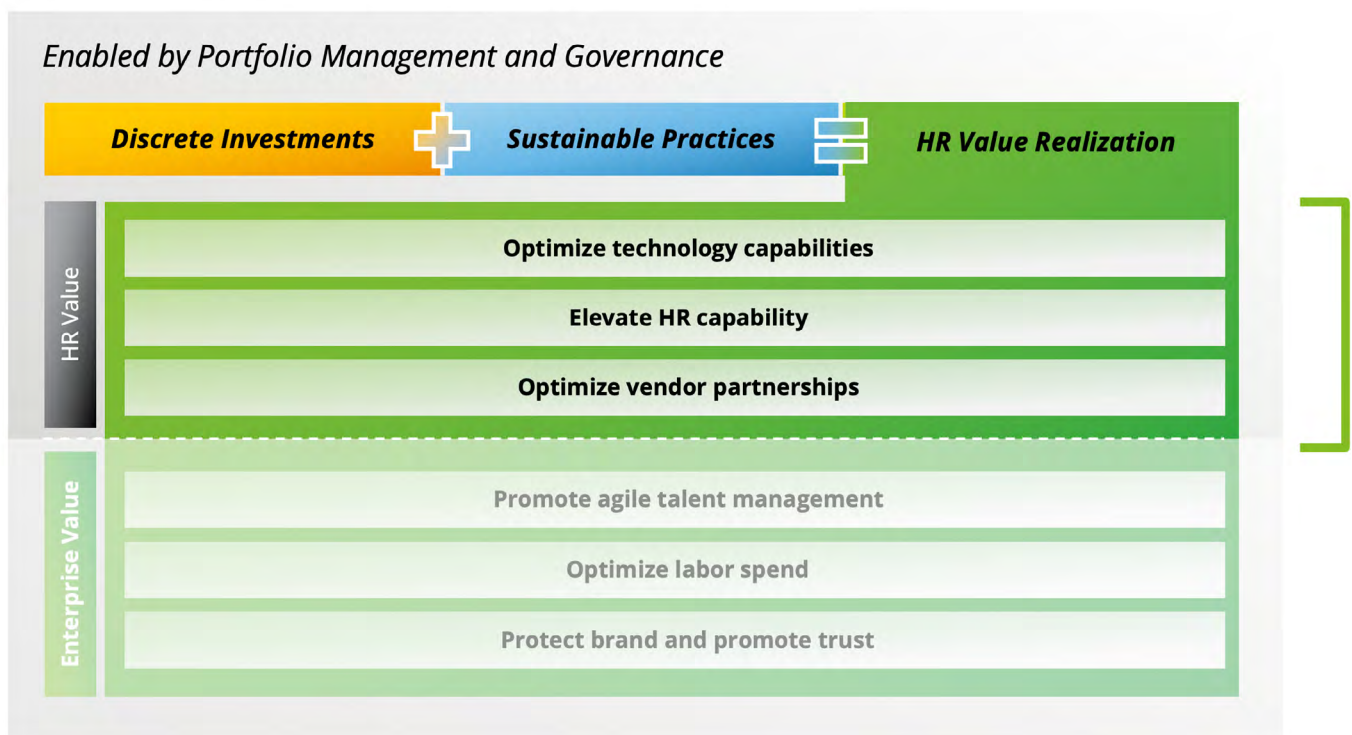# Disrupting the status quo:

Unlocking value through the
HR function

Introduction

In part 2 of our series on The path to unlocking HR's value, we explored three areas where HR leaders aspire to create value for the enterprise but often fall short. For each area, we highlighted how organizations can complement discrete investments with intentional, sustainable practices that enable them to sense the effectiveness of their services, anticipate changing business needs or market conditions, and continuously innovate to adjust in real time. The result is to achieve and sustain value the organization is seeking, despite increasingly dynamic internal and external environments.

In this article, we'll explore three areas where HR leaders aspire to create value through the function they lead. For each, we'll outline what HR leaders want to achieve and what actions they can take to sustain that value over time with case studies demonstrating how other organizations have tackled similar goals.
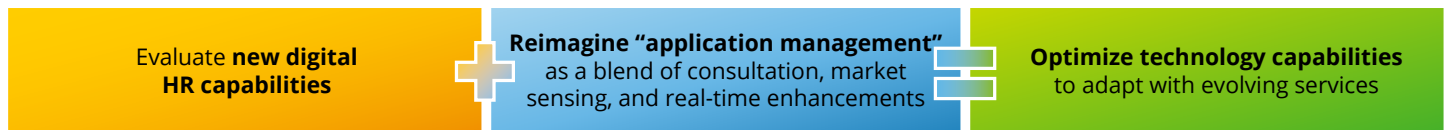

Enabled by Portfolio Management and Governance

| Discrete Investments | + | Sustainable Practices | | HR Value Realization |

HR Value
- Optimize technology capabilities
- Elevate HR capability
- Optimize vendor partnerships

Enterprise Value
- Promote agile talent management
- Optimize labor spend
- Protect brand and promote trust

Shifting HR's mindset: From efficiency to outcomes

As we reflected on the areas where organizations are striving to get more value out of the HR function, a theme emerged: HR needs to fundamentally shift its mindset on what "value" looks like. What should HR leaders be aiming to achieve? Historically, HR has been hyper-focused on driving efficiency or workforce experience. What if that focus shifts to achieving outcomes—for the business and the workforce?

It's common practice for HR organizations to anchor the function's strategy in the broader business strategy. In annual off-site planning sessions, we ask ourselves, how can HR enable the broader organization to meet our collective goals? On paper, we connect the function's strategic objectives to pillars of the enterprise strategy and use this as a sound bite in town halls. Then there's the "knowing-doing" gap. As referenced in Deloitte's 2024 Global Human Capital Trends report, organizations often experience a gap between knowing what is needed to be done to create a desired result and actually doing those things to make material progress. In theory, our HR strategy enables the business, but in practice day-to-day demands and capacity challenges often take priority.

In addition to the mindset shift of defining success in terms of business and workforce outcomes, there are operational changes needed to achieve lasting value. HR leaders need to routinely use business and workforce outcomes to ground their decisions on which enhancements to pursue in technology, HR capabilities and services, and vendor partnerships. As we explore the three specific areas where organizations are looking to maximize value, we'll also highlight the operational changes needed to sustain these investments over time.

Optimize technology and GenAI capabilities to adapt with evolving services

| Evaluate **new digital HR capabilities**	**Reimagine "application management"** as a blend of consultation, market sensing, and real-time enhancements	**Optimize technology capabilities** to adapt with evolving services

Value to the business

Managing the HR technology landscape is so much more than an exercise in technology selection. Keeping HR's new focus on business and workforce outcomes in mind, a strong HR technology landscape will not only meet the current needs of the organization (e.g., enable accurate workforce planning, promote effective management decisions through data accuracy and insights, etc.) but be able to adapt quickly in response to changing business needs (e.g., net new workforce skills to acquire, train and retain to stay competitive, new reporting requirements on sustainability or DEI, etc.). With the pace of change of new technologies and product features, HR should strive to play a proactive, consultative role to the business, anticipating how new technology capabilities might better support business outcomes than current solutions.

With advanced technologies like AI, HR is positioned to be an early adopter by deploying some of the many HR products and features new on the market. If done effectively, the function could free up capacity or savings to reinvest, which is increasingly part of many organizations' strategy. In Deloitte's latest State of Generative AI quarterly report, 45% of respondents said their organization plans to reinvest cost and time savings from GenAI into driving innovation with another 43% to improve operations. But the landscape can be intimidating, and HR leaders may wonder how to get started.

Key technology investments HR should consider (Figure 1)

The "funnel" depicted in figure 1 is a way to determine which solution within the HR technology landscape might be best suited for a particular business requirement or optimization opportunity.

As potential optimization opportunities are identified, HR technology owners should first evaluate applications HR has already invested in for potential solutions. Regular vendor releases with new or enhanced functionality should be assessed and may fill gaps or offer streamlined solutions to what was available prior implementation. By evolving the existing HCM solutions, organizations can continually maximize value from previous tech investments. However, it's important to understand if new features fully meet the requirements and are cared for with existing licensing.

Foundational HCM solutions

Enterprise solutions

Extensible solutions

Custom solutions
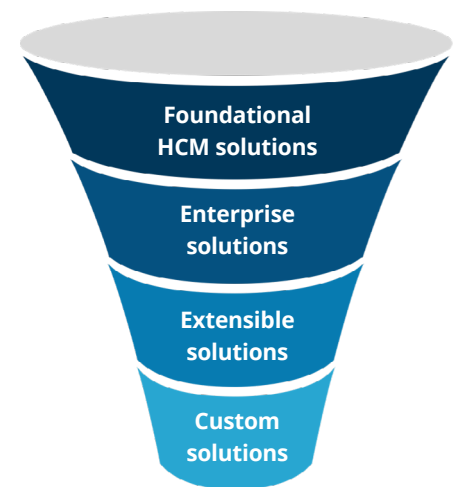
If the existing solutions don't fully meet the need or require a new SKU or increase in licensing costs, organizations should explore available enterprise solutions. Piggybacking off an existing vendor relationship held by another function will promote economies of scale and may give better negotiating power with the vendor partner. This holds particularly true with GenAI solutions that may already be in place or are being explored by enabling functions (e.g., IT, Finance) or the business.

If existing HR or broader enterprise solutions don't fully meet the need, begin market due diligence to intentionally and strategically add digital capabilities through extensible (net new) solutions. Given the breadth of traditional HR technologies in the market, it's less common for organizations to develop truly custom solutions (the final section of the funnel depiction). Unless the requirement is core to the company's competitive advantage or grounded in a need for proprietary data models, typically an existing product in the market will serve the need with a lower total cost of ownership.

How to sustain these investments

As we reflect on the investments above—to focus on the current technology in the function, the enterprise, the market, and then look for custom solutions—it becomes evident that optimizing technology capabilities to adapt with evolving HR services is a practice that requires ongoing care and attention. By making incremental improvements over time through optimization and intentionally deploying supplemental solutions where needed, HR may be able to avoid large scale technology refreshes and better keep pace with business needs.

But how? What operational changes can be put in place to move from "knowing" technology becomes stale without continuous innovation to "doing" something that will promote a truly adaptable tech landscape? Consider taking the following steps:

1. **Develop the capability for HR technology owners to effectively consult on business outcomes**
   Start with a critical focus on determining the desired business outcomes. Decide which role(s) would take on this responsibility and how the interaction model needs to evolve to promote the right connections for this ongoing consultation (e.g., with business HR, business leaders, etc.). Ensure these resources are knowledgeable about the HR and enterprise technology landscape to pose a question—"Can our current digital solutions enable these desired outcomes?"—and collaborate with experts within the organization to determine the answer.

2. **Define an investment strategy that accounts for the capacity needed to deliver ongoing optimizations**
   Outline a strategy for how budget will be allocated for HR technology investments, prioritizing the enhancements that directly promote business outcomes. In addition to the annual budget for known enhancements and new technology deployments, allocate sufficient funding and capacity for real-time optimizations throughout the year. Avoid the common mistake of treating optimizations as "nice to have" rather than "a must" for sustaining investments. Establish guiding principles for reinvesting any capacity or cost savings achieved through optimization efforts.

3. **Understand how to navigate the market**
   As technology continues to rapidly evolve, it's crucial to understand the maturity of technology areas, key vendors, and emerging trends that will influence which products you invest. As with other capabilities, consider whether you "build, buy, or borrow" this skill of keeping up with the tech market. Depending on the maturity and capacity of your organization, looking to outside vendor partners who are abreast of the changing landscape may bring real advantages, especially if it means wiser investments in products that may already be part of your landscape long term.
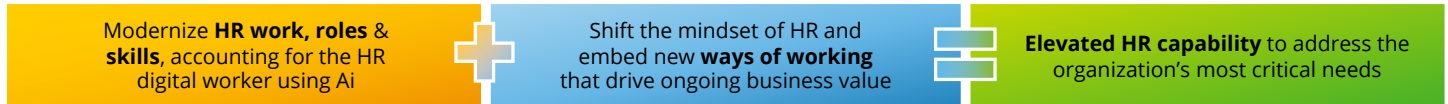
4. **Refresh the governance model and partnership with IT**
   Now more than ever, HR and IT should refresh their ways of working with an emphasis on collaboration. The benefit goes beyond HR's ability to realize their own technology investments (i.e., having visibility to the enterprise landscape, clarity in roles for implementing and supporting new capabilities, etc.). With the digital transformation initiatives, including GenAI, the HR and IT disciplines are intricately linked as organizations navigate the connections between skills, leadership, trust, culture, and behaviors. In fact, 72% of organizations already recognize the importance of the HR function evolving from siloed operations to a cross-functional discipline—a concept known as Boundaryless HR.

CASE STUDY

To enhance the overall new hire onboarding experience, a national beverage distributor upgraded their current solution to the latest technology, improving both functionality and user engagement. By transitioning to their vendor's newest solution, the company ensured access to future system enhancements and ongoing support. The new hire portal also received a significant upgrade, featuring a redesigned landing page that offers a more engaging and user-friendly experience.

Elevate HR capability through AI to address the organization's most critical needs

Modernize **HR work, roles** & **skills**, accounting for the HR digital worker using Ai	Shift the mindset of HR and embed new **ways of working** that drive ongoing business value	**Elevated HR capability** to address the organization's most critical needs

Value to the business
CHROs are facing expectations that HR's role is being elevated beyond the traditional talent, operational, and compliance responsibilities, but what do elevated HR capabilities actually look like? The concept of defining the right HR capabilities to address the organization's most critical needs is not a static list; what HR needs to deliver and become evolves along with the changing business and workforce outcomes they aim to enable. As previously highlighted, in order for HR leaders to identify the most pertinent capabilities for their team, they need to promote a culture and mindset shift to reinforce that success is synonymous with achieving value through business and workforce outcomes.

For example: Addressing the impact of GenAI on work and the workforce is a highly desirable business outcome prevalent across industries today. In fact, 75% of organizations expect the technology to affect their talent strategies within the next two years. HR leaders should proactively and rapidly develop AI capabilities to stay ahead of the curve and position themselves as an early adopter. This proactive approach unlocks potential to reshape HR through AI and free up capacity that can be reinvested to help the business succeed.

Key investments HR should consider
In recent years, many HR organizations have taken steps to reorganize existing work, stop non-value-added activities, or reduce inefficiencies through process redesign. How else can the function meaningfully create capacity to take on new services or develop new capabilities? HR leaders need to reimagine the work itself, including how and by whom it gets done. Two ways to get started:

1. **Adopt GenAI or other technologies to fundamentally reshape the work HR team members do**, freeing up capacity that can be reinvested into development of new capabilities. How can you determine which activities or services are good candidates? First, explore the new features available in your existing products to evaluate what the benefits would be if they were built in as part of an end-to-end solution (e.g., deploying a virtual assistant as part of frontline HR customer service). Second, consider which services you are spending the most time on today and evaluate potential solutions and associated savings. For example, if recruiting is high effort, consider opportunities across the recruiting lifecycle to create efficiencies with AI). It's critical to thoughtfully consider how the new technology could impact the work holistically: Will it influence the overall process? What skills or training will HR need to adopt it? Is there risk that it won't achieve the intended benefits?

2. **Pressure test your strategy for where to "Build, Buy, or Borrow" HR capabilities.** The landscape of HR services available in the market has evolved to include broader consultative or advisory services on a "subscription" or as-needed basis (e.g., change management as a service). This approach enhances agility, enabling you to scale capacity seamlessly in response to workload fluctuations, while focusing on developing core capabilities that drive competitive advantage.

How to sustain these investments

In order to meet the increasingly dynamic demands of business, HR leaders must commit to regularly evaluating the role of the HR function within the organization and pressure test if it's aligned to the right business and workforce outcomes. Where the outcomes are aligned, HR leaders should establish routines to evaluate the impact of their services and capabilities on desired outcomes and proactively adjust strategies when necessary. Specifically:

- Create a schedule for HR leaders to stay connected to the most prominent business and workforce outcomes and proactively measure where the function is meeting the mark or requires adjustments (i.e., not as part of a three year roadmap, but practically throughout the year); complement the routines with a clear decision framework so HR team members can evaluate criticality, desirability, viability, and feasibility of any given priority.

- Evaluate how HR is organized as the function successfully adopts AI and reshapes the work, an idea we further explore in a LinkedIn Live recording: The Future of HR Powered by AI.

- Identify which HR tasks can be automated or transitioned to "HR digital workers." Develop an infrastructure to consistently identify, evaluate, and implement these opportunities, embedding this approach as part of the DNA across the function (vs. an individual's part-time continuous improvement role).

- Determine the skills you have vs. those you need to deliver the changing landscape of HR services and address talent gaps with a well-defined "build-buy-borrow strategy."

CASE STUDY

As part of a comprehensive effort to transform the talent experience, a global professional services firm integrated AI into various aspects of their HR operations. This included deploying a virtual assistant within their global call center, which empowered customers to self-serve through a voice and text-enabled virtual agent. Beyond enhancing self-service, the firm has also adopted AI to accelerate the development of learning courses and efficiently analyze annual talent survey results from 170,000 respondents. These initiatives have created opportunities for HR efficiencies that can be redeployed in new and impactful ways.

Optimize vendor partnerships to enhance worker experience

Define the "right" **vendor ecosystem** (e.g., payroll, benefits, mobility)	Develop **vendor management** capabilities	**Optimize vendor partnerships** to Enhance Worker Experience

Value to the business

When workers experience an HR service or product, they may not know who is ultimately delivering it—a company "badged" HR employee or a third-party provider—and it shouldn't necessarily matter. The expectation is that HR leaders are accountable to deliver a set of services or products that enable the right business and workforce outcomes. If a vendor partner delivers a subpar experience or there are gaps in the process or services themselves, HR remains accountable.

Developing foundational vendor management routines, such as defining roles and responsibilities, monitoring service level agreements (SLAs), and identifying escalation paths, have been a starting point to improve existing HR vendor relationships—but it isn't enough. Truly optimizing vendor partnerships requires us to take a step back and challenge the traditional view of which HR services are being delivered by a third party and who we consider "partners" in the HR vendor ecosystem.

Key investments HR should consider

When defining the "right" vendor ecosystem that can enable business and workforce outcomes, HR leaders should consider the following actions:

1. **Evaluate the holistic vendor landscape for payroll, workforce management, and benefits.** This subset of HR services is often considered "local" in nature with contracts being negotiated and managed on a country or regional basis. For organizations that deployed a global core HCM platform, these vendors were often included from the perspective of technical integrations or downstream handoffs, but in many cases weren't reevaluated or redesigned to the same extent as other core HR or talent processes. This has led to significant opportunity for vendor consolidation and efficiency gains through process redesign or automation.

2. **"Buy" or "Borrow" services beyond traditional HR operations or administration.** Operational activities, such as running gross-to-net payroll calculations or managing retirement plans, benefits, and open enrollments, are obvious choices for outsourcing, but third-party service offerings are quickly advancing. For example, if the HR function is supporting the enterprise through the adoption of AI, having on-demand, scalable change management or communications services could be key. If the new core HCM system has accumulated a few years of quality data, retaining services for ongoing analytics capabilities could allow marrying that data with market intelligence to get to actionable insights. Assess which of the HR capabilities that are a gap today could be solved near- or long-term with a third party.

3. **Reframe the definition of HR "vendors."** As HR evolves from operating as a siloed function to a broader discipline, it is being engaged in new ways. For example, as business leaders pursue responsible business practices, including environmental, social and governance initiatives, HR is playing a new role in orchestrating external relationships, not just with the traditional third-party vendors hired to deliver HR services, but with educational institutes, governments, and communities. This would be a different and broader interpretation of "vendor ecosystem" for HR to consider.

How to sustain these investments

As the shape of the HR vendor landscape evolves, here are some ways to sustain the investment in these relationships beyond traditional vendor management routines:

- Evaluate your current vendor ecosystem to understand pain points and identify improvement opportunities in existing services or processes to drive the desired business outcomes. Consider the following: Are handoffs happening seamlessly? Are we avoiding bounce-back? Are processes streamlined? Next, determine how to incorporate real-time identification and resolution of improvements as part of the HR team and vendor team roles.

- Ask existing providers to share any innovations or enhanced capabilities they are offering. Ensure this becomes a regular part of routine vendor discussions to proactively evaluate and integrate these advancements.

- Ensure governance processes are clearly defined with cross-functional vendors so that HR is at the table (e.g., vendors shared across HR and IT).

- Define an intake process for new vendor relationships to the function. If HR will own a relationship, clearly articulate the foundational items (e.g., roles and responsibilities, assigned relationship owner, etc.) that need to be in place at the onset to help ensure that the relationship is successful over time.

CASE STUDY

To enhance vendor impact, one of our clients successfully implemented a new pay and time solution across 18 complex countries. This initiative consolidated more than 12 vendor solutions into a single, integrated platform, streamlining the technology portfolio, standardizing processes, and simplifying overall vendor management. This optimization led to a more consistent and accurate payroll experience for employees, ensuring long-term operational benefits.

What's next?

Through this series, we explored six areas where leaders may not be getting the full value of their strategic HR investments. We also offered recommendations on what steps HR leaders can take to shape an HR investment strategy, grounded in strong governance routines and portfolio management, that will sustain value over time. While we touched on some aspects of evolving technology, our upcoming articles will delve deeper into the impact of AI on the future of HR and the HR operating model. Stay tuned as we continue to explore how HR can maximize its value and drive meaningful outcomes for the business and the workforce.

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