



## Driving Business Imperatives Through Exponential HR Impact

[According to Deloitte's 2021 Human Capital Trends Special Report<sup>1</sup>](#), the pandemic strained and tested the worker-employer relationship. Employers were called upon to support workers' health, livelihoods, and dignity to an unprecedented degree, and their success or failure to do so came under unprecedented scrutiny.

In this article, we are going to discuss, considering our times, the changing business expectations for HR, how HR can pivot to meet those challenges, and apply a five-step approach to effectively drive business imperatives through HR impact with meaningful investments in the right HR products, solutions, and services.

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<sup>1</sup> 2021 Global Human Capital Trends | Deloitte Insights

## Setting the Context

There has never been a better time to be a human resource (HR) professional. For much of the history of HR, the function has responded to cultural, political, and/or organizational needs. Now, following an unprecedented global pandemic alongside shifts in public mindset around important challenges that include social justice and climate change, HR is in the spotlight to lead organizations in very new ways. Companies now are *asking HR to lead from the front*. The top issues for organizations today across diversity equity inclusion, hybrid working environments, virtual working spaces, digital collaboration, wellness, future of work, social citizenship, talent attraction and retention, personalized benefits, agile ways of working, equitable compensation strategies and worker experience, dominate the agenda of the C-suite. The workforce is at the center of these important issues and senior executives are turning to HR for practical counsel, strategies, and solutions.

Seventy-four percent of workers expect their organizations to be actively engaged in social issues.<sup>2</sup> At the same time, 86% of respondents indicate that learning in flow of work is very important to building skills, yet few companies are equipped to do this,<sup>3</sup> in late 2021, the Bureau of Labor Statistics report there are 10.4 million job openings in the United States<sup>4</sup> and 50% of United States employees and 66% of United Kingdom employees want hybrid working conditions.<sup>5</sup> On the surface, these statistics seem unrelated. In fact, together they reflect the wide range of disconnects in severe need of reconciliation an action—all related to the workforce of today and tomorrow. Broadly speaking, business leaders are uncertain in how to respond and address this wave of human needs coming into the workplace, and they face an array of parallel challenges to unlock innovation, compete with untraditional competitors, and meet everchanging customer expectations. What to do about the workforce? Business leaders are turning to the CHRO for leadership. Is HR prepared to lead?

Historically, HR has responded to business needs by providing “personnel” administrative services, serving as guardians of employment brands, driving compliance with policies and regulations. This administrative and compliance response is still

necessary; yet, no longer sufficient to address the work, workforce, and workplace dynamics facing organizations in a new era of consistent disruption. HR must pivot. Pivot to a new mindset as a leader within the organization, at the executive table, and in the boardroom. Such a pivot demands a new operating model that enables adaptable solutions with new ways of working informed by regularly sensing workforce, market, business, and workplace trends. Such sensing—much as leading consumer-focused enterprises do to adapt their products—enables HR leaders to iteratively refine workforce solutions and experiences to elevate the human experience at work, embedding digital solutions to engage and enable productivity. [Exponential HR](#) organizations recognize the criticality of constant evolution to meet the nonstop pace of business today.<sup>6</sup> This change starts with HR’s translating business imperatives into meaningful workforce strategies and shifts, leading organizations on all things to enable workforce purpose, meaning, well-being, and productivity in a world increasingly working in new physical, virtual, and hybrid workplace cultures that join humans with machines for collaboration in previously unimagined ways.

HR has pivoted before and will again. Reflecting on the evolution of the HR function, there are clear points of transition as business and marketplace dynamics have changed. At the dawn of the HR profession, in the 1930s–1940s, HR had to play a compliance role, focused then on the welfare of children, women, and others in the workplace. In the 1960s–1970s, businesses needed HR to mature their core operational processes of hiring, onboarding, training, and managing employee and organizational data. The third major transition was in the 1990s–2000s, when businesses recognized the competitive advantage of attracting, developing, and retaining the right talent. HR drove workforce programs that included competency modeling, performance management, succession planning. In all three transition phases, HR stood up and met the challenge. Once again, HR is at an inflection point. Arguably, the transition required here is a bigger leap than any before. The right decisions and investments in impactful interventions can deliver the workforce solutions and experiences to address today’s marketplace and workforce needs and position organizations to flex in a highly dynamic world.

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<sup>2</sup> 9 Work Trends That HR Leaders Can’t Ignore in 2021, Brian Kropp, Gartner, January 2021

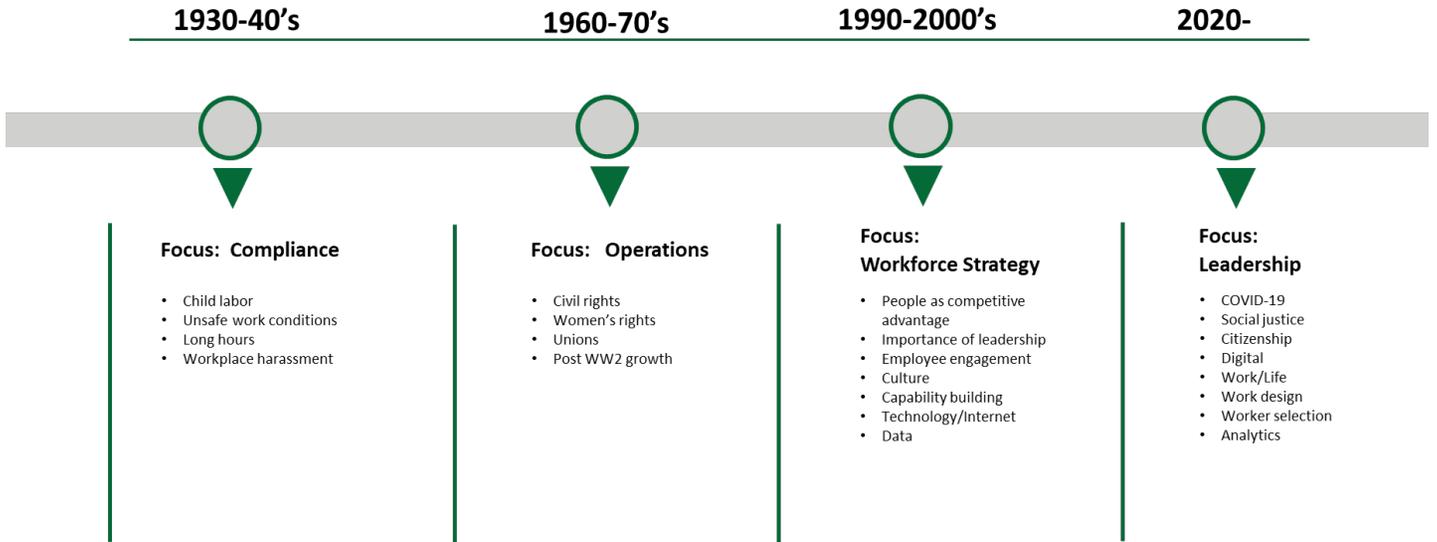
<sup>3</sup> Learning in the Flow of Work Solutions: Market Primer, Mackenzie Wilson and Julie Hiipakka, Deloitte Research and Sensing, September 2019

<sup>4</sup> US Bureau of Labor Statistics, <https://www.bls.gov/news.release/jolts.nr0.htm>, October 2021

<sup>5</sup> retrieved <https://www.gensler.com/gri/us-workplace-survey-2020-summer-fall>, October 2021

<sup>6</sup> Exponential HR: Break Away from Traditional Operating Models to Achieve Work Outcomes, Arthur Mazor, Andrew Hill, Gary Johnsen, and Et al, Deloitte, 2019

Diagram 1



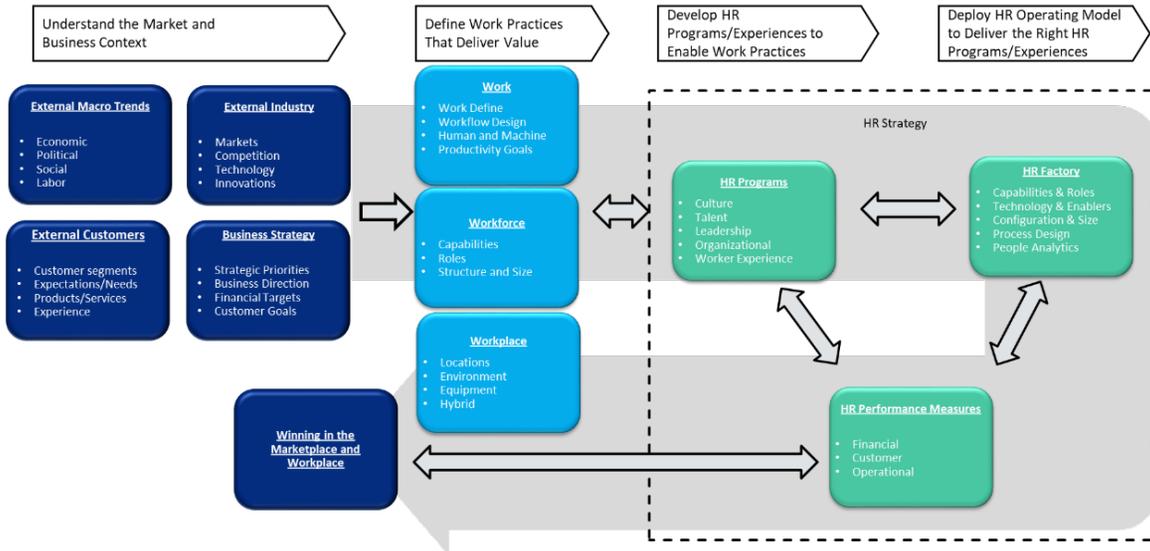
The word “strategy” is used to describe a lot of things and, fortunately, when appropriately defined and understood, can be a powerful outcomes driver. Meaningful HR strategy:

- Requires HR to have a deep understanding of the external market and the business strategy
- Is steered by a series of decisions/choices HR makes to help the business win in the marketplace and workplace
- Provides a North Star/guiding principles to determine HR priorities, policies, programs, services, HR capabilities, roles, size, structure, ways of working, enablers, and investments
- Focuses on solutions related to the work, workforce, and workplace centered around leadership capability, talent selection, engagement and development, organizational effectiveness, and effective HR service delivery
- Positions HR to continually sense external and internal trends, proactively adapt, respond to quickly shifting dynamics, elevate the human experience at work, and embed technology to augment humans, and enable productivity, and generate insights
- Incorporates a flexible governance framework and decision-making process with measurable objectives to foster actions and behaviors required for enterprise success
- Follows a tangible road map of execution

**Five Step Process to Driving Business Imperatives through Exponential HR Impact**

Creating Exponential HR Impact for an organization consists of five interdependent steps (see diagram 2):

Diagram 2



**Focus 1: Understanding the Market and Business Context**

Focus 1 begins by starting outside the walls of the HR function; researching and deeply understanding the business context. By studying annual reports, working with senior leaders, exploring business, academic, competitive, and industry insights, and collaborating with C-suite peers and teams to embed workforce strategies into business planning, HR can glean actionable knowledge in four categories that shape market and business context. The first category is uncovering the macroeconomic, political, social, and labor market trends and patterns; determining how they impact the organization from a workforce perspective and guide workforce solution. Second is understanding the industry-specific trends around markets, customers, competitors, and industry innovations. The third category is about external customers. HR needs to understand who buys an organization’s products/services, why they buy, customers’ expectations, and how the organization creates positive customer experiences as these insights can directly inform the workforce skills, capabilities, and value proposition to compete differently. Finally comes a deep understanding of the business strategy. Strategy are the choices a business makes to win.<sup>7</sup> HR needs to help shape the choices the business will make to respond to macro trends, drive innovation, exceed customer expectations, and impact markets to achieve business priorities, outcomes, financial targets, performance metrics, and return on investments. This focus on external research and understanding the business context

differentiates high-performing CHROs. High-performing CHROs, like strong CEOs, have a business mindset, they have business acumen, and understand business dynamics.<sup>8</sup> When a CHRO drives his/her HR function to start with a market and business context understanding, the foundation is laid to drive Exponential HR impact.

**CASE IN POINT: Bridging Business and HR Strategy**

A CHRO, from a professional services organization, formed a leadership team consisting of both HR leaders and senior business leaders. She also participated in board and C-suite meetings in each of the business segments. This enabled her to continually contribute and understand the business strategy and imperatives.

**KEY TAKE AWAYS**

1. HR needs to start with understanding the external environment their organization operates in.
2. Developing a sustainable HR strategy is based on knowledge of external customers’ needs and expectations.
3. HR needs to help shape business choices to win in the market.

<sup>7</sup> retrieved <https://www2.deloitte.com/global/en/pages/strategy-operations/monitor-deloitte/articles/gx-monitor-deloitte-about.html>, 2021

<sup>8</sup> The Chief HR Officer: Defining the Role of New HR Leaders. Patrick Wright, Et al, John Wiley & Sons, 2011

## Focus 2: Defining the Work Practices that Deliver on Business Strategy

With Focus 1 having provided critical baseline context, HR is ready to ask and answer the next critical set of questions that form the bridge to exponential HR performance, yet this step is often skipped by HR and business leaders. It is essential to define the right culture, on-the-job behaviors, organizational capabilities, leadership practices, key roles, and work processes correlated with driving business outcomes. An automobile manufacturer understood the macro trends and customer expectations for the future of mobility and the need for connected, autonomous, and electric cars. This led leaders of this major automotive company on a shift from hiring and developing only mechanical and electrical engineers to growing a robust software engineering bench and a mission of creating a culture to attract and retain software engineers. They needed to design new types of working environments and managerial practices for software engineers to thrive. Without understanding the external trend for the future of mobility and by staying the course with the same type of worker and engineering capabilities, they might have missed the opportunity to grow in a rapidly changing market. Instead, they did their research, made strategic choices to invest in software engineers and innovative working environments. Today, the company continues to lead as one of the world's top auto brands. We researched the most important on-the-job behaviors a consultant can do to make moments matter for clients. We have identified 10. One, for example, is to always bring a point of view. As a consultant, you do not want to show up with a blank sheet of paper and/or lack of insights. These 10 behaviors are taught to every consultant at Deloitte. The often-overlooked set of steps in Focus 2 is crucial to forming the people solutions that make the difference between winning—or not—in the market.

### KEY TAKE AWAYS

1. Every organization needs to define the practices and processes to get the work done and provide value to the customer.
2. HR is a function that can help identify the right work, workforce, and workplace practices.
3. Without these practices identified, people-focused solutions will miss the mark.

## Focus 3: Selecting and Developing the Right HR Solutions and Experiences that Enable Productive Work Practices

HR has two key objectives in designing and deploying workforce solutions. Table stakes remain and HR must foster compliance with employment laws and regulations. Second, and in today's

dynamic world, clearly the space requiring greatest attention is framing human-centered solutions and experiences that enable the workforce to find meaning and purpose in their work, remove productivity-reducing friction, and create engagement. The demand for HR to lead in these new ways is a tremendous opportunity.

One global engineering and construction organization identified a critical workforce practice to quickly set up large teams (200+ workers) across global locations in the most efficient and effective way as soon as new projects are sold. This led to their doubling down on investments in designing leading practices for starting up a remote HR function, accessing talent, and enabling the digital workplace experience. The company can rapidly create and launch a team of ~200 engineers in less than 60 days. The knowledge of the business strategy and the work practices are two essential inputs into the design and development of HR solutions and operating approaches to enable critical business imperatives that have a direct impact to an organization's success.

### KEY TAKE AWAYS

1. All HR solutions need to support laws, regulations, and the work practices that enable business strategy.
2. HR will invest in some programs and services more heavily depending on the work practices and business strategy.
3. HR should continually assess workforce programs to determine if they are still fostering the right work practices. If they are not, they need to change or be discontinued.

## Focus 4: Building and Deploying the Right “HR Factory” to Build and Manage Innovative HR Programs

Designing a fit-for-purpose “HR factory” or operating model capable of sensing the market and workforce needs to guide the people-focused solutions of the enterprise is key to becoming Exponential. The “HR factory” of the future identifies the workforce segments and differentiated needs, HR capabilities, roles, processes, components, enablers, delivery channels, and ways of working.

Through our research and breadth of client experience, we have shaped a practical view about the “HR factory” of the future and collaborated with complex, global organizations to shape innovative and fit-for-purpose designs for sustainable “HR factories”. They include [The High-Impact HR Operating Model](#)—a model that evolves the familiar characteristics of traditional HR models, yet recenters around the workforce experience. Most recently, to achieve Exponential HR, the [People Product Operating](#)

[Model](#) fully breaks away from the traditional, well-trodden models to apply leading practices of [High-Impact Product Management](#) and completely reinvents how HR can unlock enterprise value, including by introducing [Pillars of Product Management](#) into HR. These points of view offer pragmatic approaches that HR can employ to become measurably better at delivering sustainable workforce results by putting the HR customer at the center, using cross-functional teams, deploying ways of working that are adaptable and agile, implementing digital tools that are engaging and drive productivity, and creating new HR roles like product managers and solution architects. Getting the factory right, with the right processes, skills, enabling technologies, delivery mechanisms and governance is vital to delivery of sustained value to the marketplace and workplace.

### KEY TAKE AWAYS

1. Knowing what kind of HR factory is needed is based on what policies, programs, and services are needed.
2. The HR factory of the future needs to be fit-for-purpose based on the industry, business strategy.

## Focus 5: Using HR Performance Measures to Continuously Evaluate Impact on Business Strategy

“Keep your eye on the puck,” one of the author’s (Gary) hockey coach said all the time as do so many coaches. HR needs to do the same. With people solutions, policies, and services influenced by market and workforce sensing insights, HR can more meaningfully measure impact on business outcomes. A performance dashboard that tracks, reports, and communicates workforce solutions’ impact on financial, customer, and operational metrics is essential. Businesses publish quarterly and annual performance reports to communicate performance. Leaders and employees have regular check-ins and feedback on performance and development. HR needs to do the same. All too often, HR measures performance by the activities completed with measures, such as the number of trainings attended, number of performance goal plans developed, number of employees enrolled in investment plans, etc. These measures have a place, yet substituting activity for outcomes doesn’t drive results. In fact, regulators in some geographies, taking note of the significant impact workforce programs and practices have on business results, are beginning to mandate certain workforce measures to be included as part of financial reporting.

An HR team at a financial services organization was able to track and report that a new learning program directly increased the amount of bad debt collected. Those employees who participated in the new learning, outperformed the baseline by 17% month

over month for 24 months. These compelling results, proven by tangible data, provided a foundation for reimagining learning programs with similar outcomes focus.

### KEY TAKE AWAYS

1. HR needs to measure activity and impact.
2. Measurement will enable constant innovation.

## Next Steps

Combined, the “Five Focuses” can empower HR’s leadership to reenergize workforce engagement, rethink the workplace, and rearchitect the work itself. Everyone likes to work for a winner. HR can help make that happen if it deeply understands the external and internal environments, shapes the business strategy alongside leadership peers, and continuously enhances the work, workplace, and workforce practices that most contribute to sustaining a winning organization for the market and workplace.

## Authors

[Art Mazor](#) is Deloitte’s Global Human Capital Practice Leader, leading the Global Human Capital Executive Team and a member of the Global Consulting Offerings and Assets Leadership Team. Art is accountable for guiding the firm’s continued innovation and capability growth to drive unique and powerful client business outcomes that have positioned Deloitte as the world’s No. 1 Human Capital consultancy.

[Gary Johnsen](#) is a Specialist Leader in Deloitte Consulting LLP’s Human Capital practice where he specializes in helping complex organizations design and deploy innovative HR strategies, operating models, employee experience strategy and programs, and the enabling processes, tools, and capabilities that build the bridge between business and HR.

[Amy Sanford](#) is a Managing Director in Deloitte Consulting LLP’s Human Capital practice where she partners with organizations to reimagine how HR delivers services with high impact. She helps clients to understand trends and disruptors, uncover opportunities informed by the direction of the workforce and the enterprise and envision their HR of the future.

[Andrew Hill](#) is a Partner in Deloitte Consulting’s Human Capital Australia practice where he leads the HR Transformation team. Andrew consults with many of Australia’s leading organizations on projects that include HR strategy, HR service delivery strategy, business case preparation, shared services, service centers, HR technology, HR intranet design, HR outsourcing, and retained HR organization design.



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