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Disrupting the status quo:

The path to unlocking HR's value

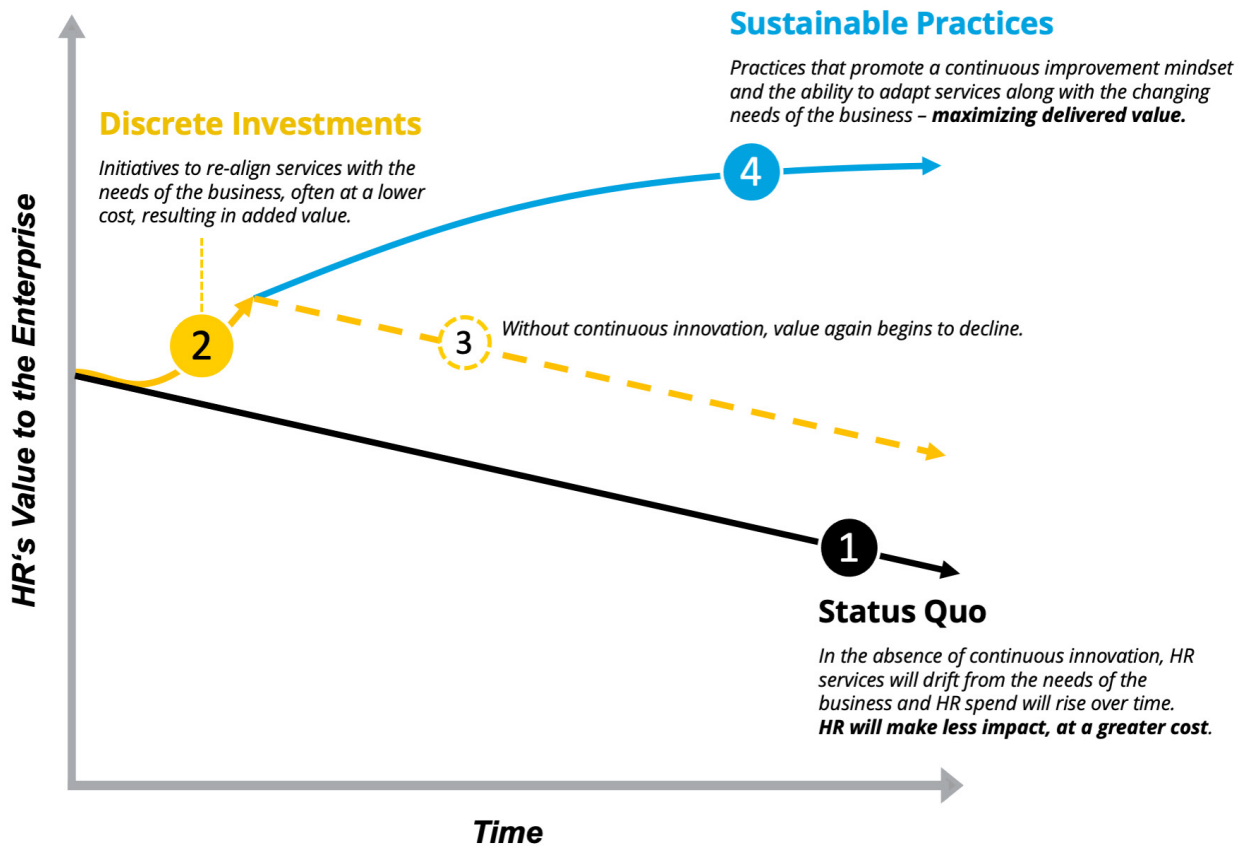
Reshaping the HR agenda

Over the last five years, human resource's agenda has been built upon large-scale, multi-year journeys which define success as reaching "the destination" – the ultimate operating model, new technology, or enhanced worker experience. While these efforts were necessary to build an operational foundation for the function, many HR leaders feel they haven't fully capitalized on these investments. This sense of unrealized value is compounded by constant, rapid changes such as macro-economic uncertainty, amplified voice of the workforce, and global talent shortages. Now the expectation for HR is not just to keep up, but to predict and guide the business through these changes, to evolve from a siloed function to a **boundaryless hr** integrating with people, business and the community.

Where does HR go from here? Leaders in the field need to adopt a new strategy. Rather than rallying around a single, long-term goal, HR needs to shape an agenda that develops its capabilities and routines to continually adapt to changing business needs and build a dynamic HR structure that creates the talent pool to deliver rapid responses. If HR leaders fail to act, the risk of the "status quo" is that HR spend rises over time with inflation while the disconnect grows between the services delivered and those the enterprise will need in coming months and years.

Only 15% of executives strongly agree that their organization values the work performed by HR, according to our 2024 Global Human Capital Trends research. Simply making investments to improve near-term efficiencies isn't enough to demonstrate HR's value. Unless these new services and tools are paired with sustainable practices (i.e. practices that allow HR to continually innovate and evolve those services and tools in real time as needs change), they quickly lose their edge or become obsolete. This puts the function in a "reactive" cycle, ultimately diminishing HR's impact for their teams and the enterprise.

Unlocking HR Value Realization



The new math

What is the equation for HR leaders to unlock the potential in their investments?



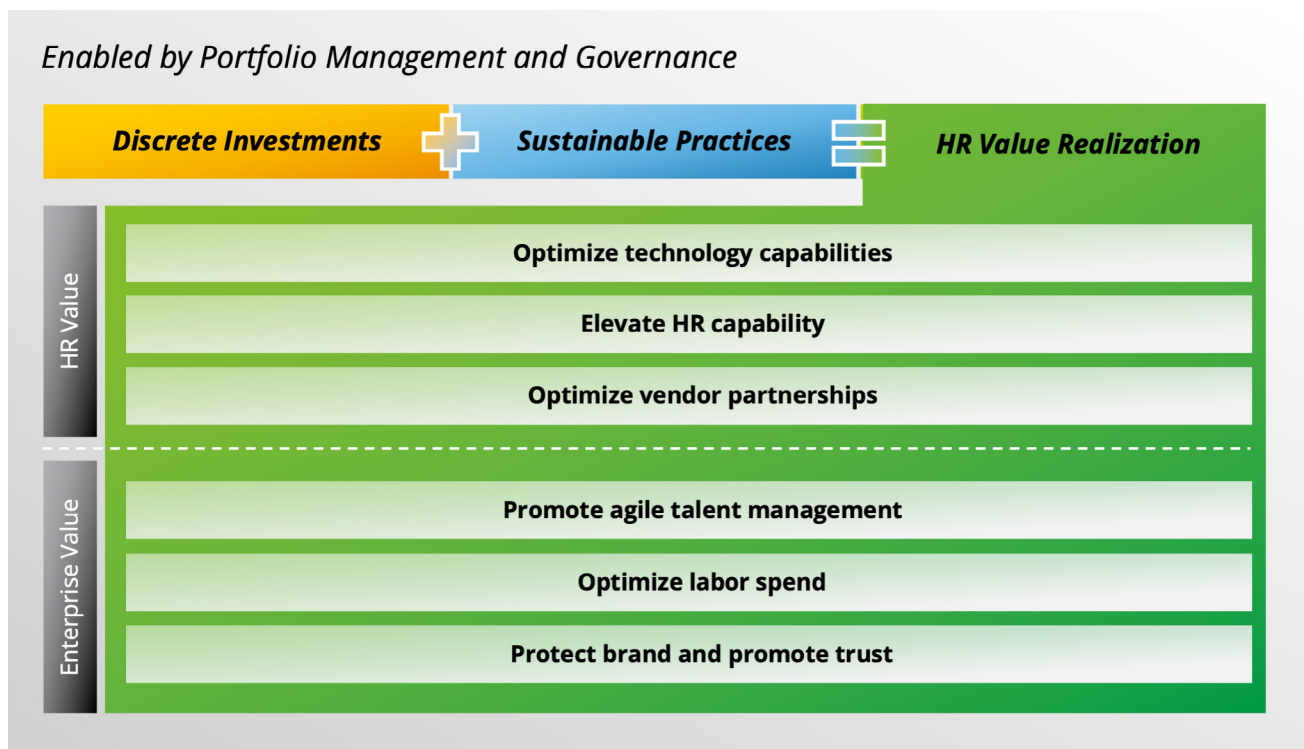
As HR leaders shape their strategic priorities, it's essential to balance projects focused on near-term efficiency gains with practices that enable HR to adapt to the changing needs of the workforce and enterprise in real time.

- **Discrete investments** are HR initiatives aimed to achieve a near term return on investment (ROI) such as expanding services, deploying new technologies, or optimizing existing ones.
- **Sustainable practices** encompass the HR capabilities and routines needed to sense the effectiveness of their services, anticipate changing business needs or market conditions, and continuously innovate to adjust based on that feedback loop, in real time.
- **Value realization** is the ability to fully harness the benefits of the investments HR makes for the function.

Recently, we have identified six areas where HR leaders are seeking to deliver greater value for their organization.

HR Value Realization Equation

How to shape HR services and capabilities that can adapt over time to achieve maximum value for HR and the enterprise



Organizations that have invested in these six areas often struggle to maintain the value of these investments because the necessary shifts in mindset or routines weren't in place to continually enhance those services.

- 1. Optimize technology capabilities to adapt with evolving HR services**
Organizations may make sizeable investments in new technology products only to find that months or years later, shadow processes or workarounds have cropped up and the tool is underutilized. To evaluate how your tech landscape can be optimized to support your HR services, governance routines, including release management practices for cloud technologies, should be defined proactively.
- 2. Elevate HR capability to address the organization's most critical needs**
As HR leaders continue to modernize work, shifting operational tasks to digital workers, it's crucial to complement those efficiency gains with a shift in overall mindset. HR should offer a dynamic structure that enables direct engagement with business leaders on recommended talent strategies and programs that tie to the goals of the organization.
- 3. Optimize vendor partnerships to enhance worker experience**
All organizations have some portion of HR services delivered by a third party, and there is often thoughtfulness in curating that landscape of vendors. After the initial partnership is established, it's important not to leave the quality or experience of workers solely in the hands of the vendor. Developing vendor management capabilities in-house can prevent "clunky" hand offs, escalated customer complaints, and potential missed service-level agreements (SLAs).
- 4. Promote agile talent management**
With 73% of business executives expecting continued talent shortages over the next three years, it's important for HR to engage with the business in regular, deliberate discussions on talent requirements.¹ Understanding these requirements is just the first step: HR also needs to develop skill-based talent processes to enable business leaders to make effective talent decisions. Without such processes, the organization won't be able to swiftly deploy skills and capabilities where most impactful.
- 5. Optimize labor spend**
On average, a typical Fortune 500 company loses ~\$30M in unplanned labor costs each year.² HR is well positioned to identify hidden labor costs (e.g. unmanaged overtime, scheduling errors, etc.) and proactively automate labor forecasting, capacity, and fulfillment to improve operating margin.
- 6. Protect brand and promote workforce trust**
Workers in [high-trust companies](#) are 180% more likely to be motivated and 140% more likely to take on extra responsibilities. While many organizations are beginning to enhance their employee relations capabilities, they also need to activate the role of "people leader." People leaders are on the front lines and in the best position to promote company values and create a culture of trust, which can have direct impact on brand reputation, employee engagement, and overall financial performance.

Getting started

Before starting your journey to unlock value for any of the six areas above, it is important to take a step back and reflect on your goals and your strategy to achieve them. Your organization's target business outcomes and HR maturity will help determine your priorities. Asking the following questions can help focus your efforts on the areas that will deliver the maximum return on your investment:

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1. Is this initiative enabling our business strategy or addressing a key business challenge? If not, should it be de-prioritized?
2. What sustainable practices would need to be introduced alongside this investment to sense changing needs and adapt in real time?
3. Does our list of initiatives leave capacity to flex if needs change?

81% of business executives say the business agenda and the people agenda have never been more intertwined.³ This further illustrates why HR leaders need to understand their organization's target business outcomes and establish routines to manage their overall HR "portfolio" (the initiatives and priorities HR has committed to). As work is increasingly performed across functional boundaries, it's critical HR is collaborating with other functions (e.g., Finance, IT, Legal) to effectively drive these business outcomes.

HR Investment Strategy



What's next?

In this series, we will explore how you can successfully integrate sustainable practices across common areas of value for the enterprise and for the HR function. We'll also unpack specific ways to realize the full value of your strategic HR investments and maintain it over time.

Want a deeper look at HR value realization? [Learn more on CapitalH](#) >

Endnotes

1. Sue Cantrell, Michael Griffiths, Robin Jones, Julie Hiipakka, "The skills-based organization: A new operating model for work and the workforce." Deloitte Insights, <https://www2.deloitte.com/us/en/insights/topics/talent/organizational-skill-based-hiring.html>
2. Deloitte, 2016, "Labor spending or overspending? Where workforce costs are hiding." Deloitte.com, <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/technology/us-cons-labor-wise-infographic.pdf>
3. Mercer, "[2024 Global Talent Trends](#)," accessed December 2023.

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