Digitalizing HR: Connecting the workforce

2013 Global HR Barometer Research report
1. Executive summary

Capgemini Consulting publishes its global HR Barometer report to investigate the trends and challenges facing today’s HR executives and their teams. The findings in this year’s report suggest that HR organizations are slowly beginning to use digital tools within Talent Management and for increasing knowledge sharing within their organizations. Further, the HR function appears to be struggling with service delivery in terms of clear roles and responsibilities both internally in the HR function but also in the interface with the business. Finally, the report highlights the perceived insufficiency of HR IT systems.

Low utilization of digital tools in Talent Management

Recruiting, retaining and developing people remains a top focus area for HR across industries. Succeeding in recruiting and retaining talent rests on the ability to understand what engages employees and providing opportunities that drive their development.

Few organizations have established best in class digital processes to interact with current and potential employees in order to strengthen the employer brand or utilize digital tools in the Learning and Development process, where organizations are heavily relying on face-to-face classroom training and webinars.

Connecting the workforce

While recognizing the benefits of connected organizations, HR executives experience challenges in transforming the company culture to promote collaboration and idea generation through digital tools. A low understanding in the business of the possibilities and benefits is seen as a major obstacle combined with the lack of processes needed to fully leverage the capacity of web 2.0. Traditional methods of idea generation, predominantly using an assigned development team, is the norm.

HR’s roles and responsibilities

With transformation activities are on the increase in organizations, understanding of the people agenda renders HR a critical role as a true Business Partner in transformations. However, HR’s ability to provide support is highly dependent on the sponsorship of top management. For service delivery, HR executives are continuously working with the clarification of roles and responsibilities within the HR function as well as between HR and the business.

Underperforming HR IT systems

There is a view that HR IT system solutions do not deliver sufficiently in a majority of the cases. Close to 50% of the participating organizations in the study stated that they are currently considering changing any of their HR systems. There is also a lack of sufficiently integrated features for HR to interact with employees and enhance the employee experience using web 2.0 and digital tools.

Figure 1: Digital Transformation and the Digital Maturity Model

Defining Digital Transformation

Digital Transformation refers to how companies leverage technologies in order to transform the way they operate or interact with stakeholders, or develop their business models.

A few of the questions in the HR Barometer 2013 survey were designed to measure the level of digital maturity of the respondents in certain aspects such as change management, idea generation, learning and development, employer branding and recruitment etc.

Each of the digital maturity questions had 4 possible responses which could be mapped to the various stages of digital maturity e.g. Beginners, Conservatives, Fashionistas and Digiratis. The 4 stages help to identify the least and the most digitally advanced organizations.

The analysis of the survey results showed that the overall digital maturity level of respondents is quite low.
2. Survey demographics

In March and April 2013 more than 130 HR executives, representing companies of varying sizes (by revenue and number of employees) and industries across the globe completed the online survey.

- The industries with the majority of respondents are Services (41%), Manufacturing (29%) and Retail/consumer products (11%) (see figure 2).
- 80% of the total firms have revenues over $1 billion USD; firms with less than $500 million USD in revenues account for 12% of the companies surveyed.
- The size of companies varies from less than 500 employees to over 50,000 employees. Approximately 50% of the survey respondents are from companies with 5,000 to 30,000 employees. 20% of companies have more than 50,000 employees.
- European participants constitute approximately 65% of the total sample, while North American companies make up approximately 35%.

![Figure 2: Survey respondents by industry](image)

*In which industry does your organization operate*

- **Services** (Financial Services, IT, Utilities, Transport, Telecom and Media) - 41%
- **Manufacturing** (Automotive, Metal and Chemical) - 29%
- **Retail/Consumer Products** - 16%
- **Others** (Healthcare, Tourism, Recruitment, Consulting, Food etc.) - 11%
- **Public Sector** - 3%

N = 134
3. Key survey findings

3.1 Digitalizing Talent Management

Talent Management continues to be a significant priority for HR executives and their businesses. HR executives that participated in the survey indicated four top strategic areas for Talent Management in which they are currently investing during 2013 (see figure 4):

- leadership development
- talent attraction, recruitment, retention and branding
- learning and development
- strategic workforce planning

The majority of HR executives are concerned about their ability to recruit and retain talent. Not surprisingly, most HR executives agree that providing opportunities for employee personal development and having a good understanding of what engages employees is critical for their ability to recruit and retain talent. Furthermore, being clear and consistent about the employer brand is also regarded as important.

Approximately 70% of the organizations have concerns about recruiting and retaining talent (see figure 3). The top areas for concern relate to retaining key employees in a competitive marketplace, the quality of succession planning skills and processes in place, followed by a lack of availability of skills in the marketplace. There are fewer concerns regarding e.g. an aging workforce. Worth commenting on is the fact that retaining key employees and succession planning are both areas where HR executives have the ability to affect performance and can work towards improving.

When applying the digital maturity model, approximately 75% of organizations can be classified as Beginners or Conservatives in terms of using social media for recruitment purposes. For these organizations the use of social media is limited, with advertisements posted on websites and online recruitment tools that are integrated with the HR system.

Only 6% of organizations can be classified as being digitally advanced, using social recruiting and branding techniques as a way to interact with potential candidates and strengthen the brand. The data also suggests that North American companies are further along in the use of social media in this regard than European organizations.

Strategic Workforce Planning is becoming a prioritized area on the people agenda. Compared to the previous year, HR executives are reporting that their investment focus has shifted. Learning and Development has decreased since 2012, but still makes the top five investment list. Strategic Workforce Planning is currently significantly higher on the investment agenda for HR executives than it was last year, and in contrast to the 2011 HR Barometer, makes the top 5 investment list.

Figure 3: Talent recruitment and retention is a concern for most companies

Do you have any concerns about recruiting and retaining talent?

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>69%</td>
<td>31%</td>
</tr>
</tbody>
</table>

N = 95

Figure 4: HR investment trends 2013 and 2012

*The following is a list of strategic HR topics. Please select the top 5 topics that your HR function invested in during 2012 & 2013.*

- Leadership Development / Leadership and Management quality
- Talent Attraction, recruitment, retention and branding
- Talent Development / Learning and Development
- Strategic Workforce Planning (provision & analysis of people data to drive business decision making)
- Participate/Drive business organizational development
- HR Service Delivery Model (HR Shared services, Centers of Expertise, HR Business Partners)
- HR Vision and Strategy development

<table>
<thead>
<tr>
<th>Topic</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership Development / Leadership and Management quality</td>
<td>50%</td>
<td>51%</td>
</tr>
<tr>
<td>Talent Attraction, recruitment, retention and branding</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Talent Development / Learning and Development</td>
<td>54%</td>
<td>47%</td>
</tr>
<tr>
<td>Strategic Workforce Planning (provision &amp; analysis of people data to drive business decision making)</td>
<td>24%</td>
<td>29%</td>
</tr>
<tr>
<td>Participate/Drive business organizational development</td>
<td>29%</td>
<td>37%</td>
</tr>
<tr>
<td>HR Service Delivery Model (HR Shared services, Centers of Expertise, HR Business Partners)</td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>HR Vision and Strategy development</td>
<td>45%</td>
<td>29%</td>
</tr>
</tbody>
</table>

N = 130
2013 compared to 2012. While not on the top five list, more organizations are choosing to invest in driving business organizational development. Meanwhile, fewer organizations invest in changes in compensation and benefit structures.

**Leadership development remains a top focus for HR.**

The development of leaders and improvement of management quality is continuously ranked as a top strategic HR topic by the respondents over the years. Respondents also agree that the importance of managers to engage employees is essential for achieving desired transformations in the business.

**Learning and Development is still on the first stages of digitalization.**

80% of the organizations can be classified as Beginners or Conservatives when it comes to the usage of digital tools in Learning and Development, as they are mainly relying on tools for one-way communication (see figure 5).

Even though a majority of the organizations have implemented tools for knowledge gathering, a third of them lack a database to store collective information.

On a general level, the survey suggests that organizations currently using web 2.0 and digital platforms in the shape of forums, news groups, blogs etc., do so mainly to encourage employees to share knowledge, information and experiences among each other.

**Few use digital methods to leverage intellectual capital.**

The creation of ideas and organizational development through digital methods such as crowd sourcing, are not commonly used by the surveyed organizations. Instead, over 80% state that new ideas are generated by assigned development teams/functions.

The majority applies face-to-face classroom training, e-learning and webinars.

The Digiratis in this area use socially interactive learning platforms, where employees collaboratively can share experiences and learn from each other. However, these are a minority consisting of 5%.

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**Figure 5: Digital platforms in Learning & Development**

What best describes how you are using web 2.0/digital platforms in Learning and Development?

- **Beginner:** Mainly use face-to-face classroom training for learning and development
- **Conservative:** Complement face-to-face classroom training with e-learning tools and webinar sessions.
- **Fashionista:** Using several learning platforms with social features for peer learning and collaborative learning platforms with a broad access to interactive and social tools
- **Digirati:** Using e-learning modules with social features based for peer learning and collaborative learning platforms with features to share information and stories and learn from each other’s experiences

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3.2 Leveraging knowledge through connected organizations

**Organizations use digital platforms to encourage employee knowledge sharing.**

Over 40% of the organizations surveyed think that the greatest challenge when it comes to managing knowledge and intellectual capital, is creating an established process of extracting value from existing knowledge within the organization (see figure 6). The complexity to sort, filter and update the vast amount of information available to create value is further seen as a challenge.

Even though a majority of the organizations have implemented tools for knowledge gathering, a third of them lack a database to store collective information.

A third of the organizations lack a database to store collective information.
Only a small percentage has implemented a transparent method for idea generation and development, wherein all employees are encouraged to participate to continuously develop ideas for products, services and new ways of working through web 2.0 and digital tools.

Crowd voting, where employees can give feedback on ideas generated by development teams/ functions are more common and is used by over 30% of the organizations.

Organizational culture is considered the main obstacle to digitalization. The lack of support from the organizational culture is stated as the top reason for why companies are not using digital media or web 2.0 tools.

As a consequence, almost 50% of the organizations acknowledge the culture aspect as an area to work on in order to increase workforce connectivity, closely followed by increased understanding in the business of the possibilities and benefits that such connectivity can generate (see figure 7). Another reason given for the non-use of web 2.0 tools is simply that the organizations do not have access to them.

Figure 6: Challenges in managing knowledge and intellectual capital
What are the greatest challenges to you when it comes to managing knowledge and intellectual capital? Please select 1-2 options.

- Establish approach of how to extract value from the knowledge we have within the organization: 43%
- The complexity to sort, filter and update among the vast amount of information available: 39%
- The lack of tools to codify knowledge within the organization (database): 33%
- Lack of willingness and understanding the need for sharing knowledge within the organization: 27%
- The difficulty in balancing between accessibility and confidentiality of the knowledge: 17%
- Fear of not being able to protect the knowledge obtained within the company from competitors: 8%

Figure 7: How to increase connectivity in the workforce
What actions are relevant for you to take in order to increase the connectivity in your workforce? Please select 1-2 options.

- Work with the organizational culture to support connected ways of working: 49%
- Increase the understanding in the business of the possibilities and benefits of increased connectivity: 47%
- Implement ways of working that leverage on connectivity: 24%
- Perform training in how to use the connectivity tools: 23%
- Investments in web 2.0/digital platforms that support connectivity: 17%
- Increase the understanding in the business of the possibilities and benefits of increased connectivity: 13%
3.3 Roles and interfaces in the HR service delivery

HR is a key player in transformations. 90% of HR executives believe that their organizations are involved in transformation activities to a larger extent than they have been in the past. And over 90% believes that the HR function is a key player in these transformations. Having knowledge of people issues in the organization renders HR a critical role as a supportive partner, but in order to shoulder this role, the HR function is heavily dependent on the support of top management. In general, the view of HR executives is that transformations require increased engagement and support from managers.

There is a need for allocations and clarifications of roles and responsibilities to ensure effective service delivery.

The common service delivery model for HR consists of shared services, a center of excellence and HR Business Partners. Most participating organizations confirm a high implementation rate and continuous improvement of such a service delivery model (see figure 8). The challenge of high quality service delivery appears to lie in the implementation of the model, where HR executives are still striving to clarify roles and responsibilities within the HR function as well as between HR and the business. This suggests that there are great development areas between different building blocks within the operating model.

There are mixed views regarding the ability of the HR function to efficiently deliver both strategic and administrative support.

A majority of surveyed organizations believe that the HR function has the ability to deliver various strategic support as a Business Partner in terms of structures and processes as well as roles and responsibilities in place.

A majority are also of the view that top management does support HR to be a value adding strategic Business Partner and that HR is involved in significant decision-making related to core business.

70% of organizations also agree or mostly agree that their HR organizations are delivering cost efficient transactional HR administrative support. The view is that HR’s way of working with HR administration also supports process quality. Organizations state in approximately 60% of cases that HR’s way of working with HR administration frees up time for the HR Business Partners to undertake more strategic work. On the flip side, the results do suggest that between 20 and 40% of the organizations mostly or completely disagree with the performance of HR within both the Business Partner and administrative support area.

The participating organizations believe that HR being a true business partner is dependent on

- The HR Business Partner’s involvement in business decision-making processes
- The level of the HR business partner’s integration with their business unit
- The capabilities of current HR business partners

Figure 8: HR Service delivery, roles and responsibilities

Which of the following structures do you have in place, will you continue to develop or will you start implementing with the aim to provide your business with cost efficient and value-adding HR support?

- HR Shared services
- HR Center of Expertise
- Engaged HR Business partner (executive management group)
- Common HR IT system
- Visible roles and responsibilities within HR organization/ function
- Clear allocation of roles and responsibilities between HR and the business

N = 120
3.4 The struggle with underperforming HR IT

The HR function focuses on improvement of current IT systems. Among the organizations there is generally a disagreement as to whether their systems work sufficiently or not (see figure 9). Hence, while a significant number of participating organizations typically have a HR system solution with various different features, the system solution does not deliver sufficiently in many aspects.

Half of the organizations rate their solution as not sufficient in terms of effective execution and automation of administrative work. Out of the organizations that have a HR system solution that provides managers and employees with access to self-service, slightly more organizations feel that their solution delivers the required results than those who do not.

Closer to 60% of organizations have some embedded tools to connect to the latest technology, such as a smartphone, but around 40% do not feel that the system solution is sufficient within the area. 50% of organizations state that their solution does not support end-to-end processes sufficiently, does not have well-enough integrated features for HR work, nor has the ability to increase employee experience through the use of web 2.0/digital tools. The critical view on current system solutions is reflected in close to 50% of organizations stating that they are currently considering changing some, or all, of their HR systems. 45% of organizations intending to change their HR systems state that they will continue implementation and roll-out of their current solution, while close to 40% state that they will implement a full SaaS solution.

![Figure 9: Functionality of HR systems](image)

![Figure 10: Systems organizations are considering changing to](image)
4. The way forward

Capgemini Consulting is observing shifting demographics in the workforce in combination with a business landscape that is becoming more and more borderless, both geographically and organizationally. There is an ongoing digital transformation, which is bringing new challenges and opportunities for businesses as well as for the HR function.

Through the use of digital media and platforms, organizations have the possibility to generate and collect enormous amounts of data, but are running the risk of information overload. With this background, in combination with the HR barometer survey results, it is expected that leading high performing organizations will focus on the following topics going forward:

Adding digital practices to the Talent Management agenda:
In today’s society, employees demand a balance between business needs, social needs and their individual needs, and there is a rising demand for personalization. While the workforce is used to socially integrated, advanced tools and ways to communicate outside of work, they will increasingly demand this in their day-to-day operations. It will become increasingly important not to lag behind as an employer in this respect. Improving the employee experience is a critical ingredient to attract, develop and retain the best talent.

Using collective knowledge to drive business development and facilitate decision-making:
Knowledge is a competitive advantage and harnessing the collective knowledge of the workforce demands improved collaboration and innovation techniques. In a competitive environment organizations need to take advantage of knowledge and idea spread throughout the organization and find new ways to collaborate in order to secure internal efficiency and boost innovation.

Such a collaborative environment needs to be driven by top management and anchored in the business. The implementation of digital tools and culture change to embrace this enhanced way of working is considered a prerequisite for achieving a truly connected organization.

Further adapt HR IT to secure efficient service delivery:
Few HR executives consider their current HR systems as sufficient. The rising demand for SaaS solutions suggests that HR functions require more advanced technology, combined with the flexibility of ongoing updates.

These topics bring new challenges to HR’s agenda.
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