



HR at the Executive Table: Linking People Strategy to Business Outcomes

2011 Global HR Barometer Research Report



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1. Executive Summary

Attract, develop, retain and cultivate—common concepts that are at the heart of any HR organization’s mission statement. Increasingly, the bar is set higher and higher for many HR organizations that must meet the talent demands required to support their companies’ business strategies. In today’s global economy, new challenges arise in aligning HR strategies with corporate objectives. These challenges frequently include expansion into emerging markets resulting in globalization of workforce, swift capitalization on shifting market opportunities, and proactive responses to customer preferences and demands.

To support corporate objectives effectively, HR executives must complete sustainable strategic workforce planning and develop integrated talent management strategies at the global level, enabled by emerging technologies and grounded in a robust operating model—or otherwise risk being viewed by the business as a cost center rather than a value generator and true business partner.

Capgemini Consulting publishes its global HR Barometer report to investigate the trends and challenges facing today’s HR leaders and their teams. In its last publication, the HR Barometer report highlighted the enormous business challenges that organizations faced going into the recession of 2009. Companies

identified the need for a more focused HR transformation effort, talent management as the new business imperative, and creative and bolder investments in HR, as key drivers of gaining a competitive advantage.

For its recent HR Barometer research, Capgemini Consulting set out to further understand how these issues, or conversely growth opportunities, have evolved since its last report. In its analysis, three overarching themes emerge.

Integrated Global Talent Management

A key area of focus for HR executives is integrated global talent management, specifically the ability to accurately forecast and plan for global talent needs through strategic workforce planning. Establishing a strong brand and common definition of the employee value proposition will be key to attract influential leaders and to manage and motivate employees across various demographics throughout the employment lifecycle.

Connected Organizations via Digital Transformation

HR executives are embracing the concept of a connected organization to enable and integrate organizational capabilities such as integrated talent management, digitally-enhanced

collaboration tools, HR IT architectures and digital strategies. As HR strives to better align with the business and IT, organizations are seeking ways to leverage their existing digital capabilities and identify emerging technologies that can be used to create sustainability.

A Robust HR Operating Model for Better Alignment

Given the current socioeconomic environment, it continues to be important for HR to strategically integrate with the business and operate efficiently. An HR operating model that tactically outlines the various roles within HR and maps these roles and responsibilities to support the execution of business strategy can be essential. Also important is the role of HR as a business partner working with Centers of Expertise (COEs) to deliver strategic HR initiatives to achieve near- and long-term business goals.

In order for HR leaders to link strategy to successful outcomes, they will need to focus their efforts on building highly collaborative and efficient work environments, promoting a global mindset and delivering products and services that enrich business value to customers, investors and employees alike.

2. Survey Demographics

Case Study: A Connected Workforce with Post-Merger Integration

A large pharmaceutical company was undergoing post-merger integration requiring the transition of 2,000 employees to a new technology platform, moving from a Microsoft exchange and PC infrastructure to Apple computers and Google.

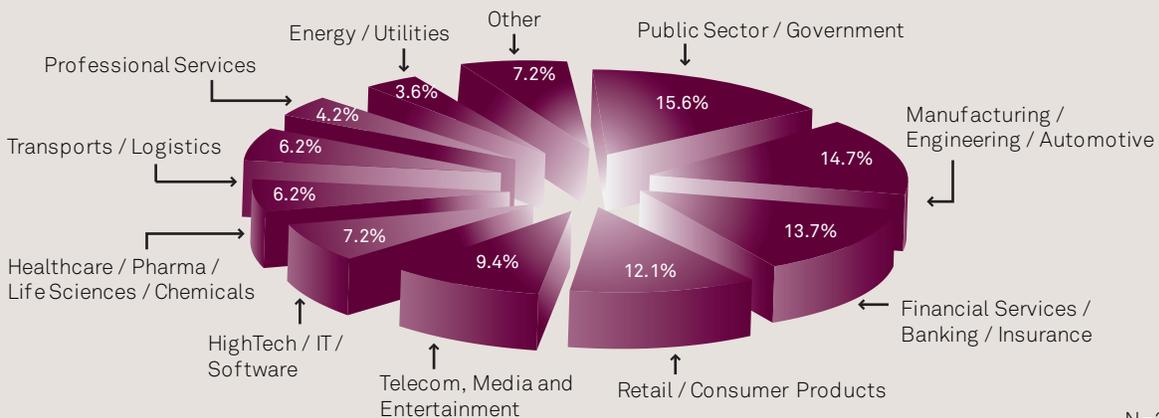
The company focused on end-user adoption for this new suite of tools through a tailored on-boarding process. This distinctive change management approach leveraged the virtual teaming functions of the tool to encourage users' discovery of the platform's integrated social capabilities. Google Forms were used to allow users to submit questions and issues to the support team, and Google Docs were employed for collaborative development and distribution of training materials. Through a virtual training program using WebEx and the use of support vehicles built into the technology suite (Google Docs, Google Talk, and Google Phone), users were able to request and receive help within the same tool they were adopting. These white-glove concierge services built excitement and aided in user adoption with real-life scenarios tailored to their individual job descriptions.

Between July and September 2010, more than 300 HR executives, representing companies of varying sizes (by revenue and number of employees) and industries across the globe completed the survey online.

- The industries with the majority of respondents include public sector/government (15.6%), manufacturing/engineering/automotive (14.7%), financial services banking/insurance (13.7%) and retail/consumer products (12.1%) (see Figure 1).
- 61% of the total firms have revenues over \$1 billion USD; firms with less than \$500,000 USD in revenues account for 32% of the companies surveyed.
- The size of companies varies from less than 500 employees to over 50,000. Over 45% of the survey respondents are from companies with 1,000 to 15,000 employees.
- Only 255 of the 307 respondents provided details on their number of HR FTEs; out of these respondents nearly 40% have less than 51 HR FTEs.
- European participants and Asia-Pacific participants each constitute approximately 42% of the total sample, while North American and South American companies constitute approximately 13% and 3% respectively.

Figure 1: Survey Respondents by Industry

In which industry does your organization operate?



N=307

3. Key Survey Findings

HR executives from around the world and across a variety of industries who participated in this survey believe that HR strategy must be aligned and in support of business strategy. While this is not earth-shattering news in and of itself, the socioeconomic and technological mini-revolutions taking place today present a new set of opportunities that need to be leveraged. The convergence of cloud computing, digital collaboration tools and workforce analytics have shown to be key enablers to help align HR strategy more tightly with business strategy, allowing HR leaders to proactively address their companies' business challenges.

3.1 Integrated Global Talent Management

Integrated global talent management continues to be a significant priority for HR executives and their businesses. The HR leaders that participated in the survey indicate four crucial levers to drive success in their talent management journeys: strategic workforce planning (increased by 8% since the previous year); talent acquisition and retention; leadership development and succession planning; and learning and development (see Figure 2).

Strategic workforce planning leaps ahead as a key strategic enabler

As the survey results indicate, one of the most dramatic priority shifts from 2010 to 2011 and beyond relates to strategic global workforce planning

and the ability to enable data-driven decision making to address a volatile operating landscape and a rapidly-changing human capital asset base. Shifting demographics in the world's labor pool often result in structural talent shortages. As an example, in developed countries, the workforce is aging, while in emerging markets, managerial and leadership capabilities are in short supply. This global talent shortage is especially acute in jobs requiring higher-order cognitive skills, such as technology, web development skills, engineering and management.

Global talent recruitment and retention strategies are a top concern

Attracting, engaging, and retaining the right talent is a major focus of organizational investment. In fact, almost 80% of respondent organizations

Figure 2: Top HR Investment Priorities

What are the top 5 topics that your HR function and organization will invest in this year (2010) and those you expect to be investing in next?

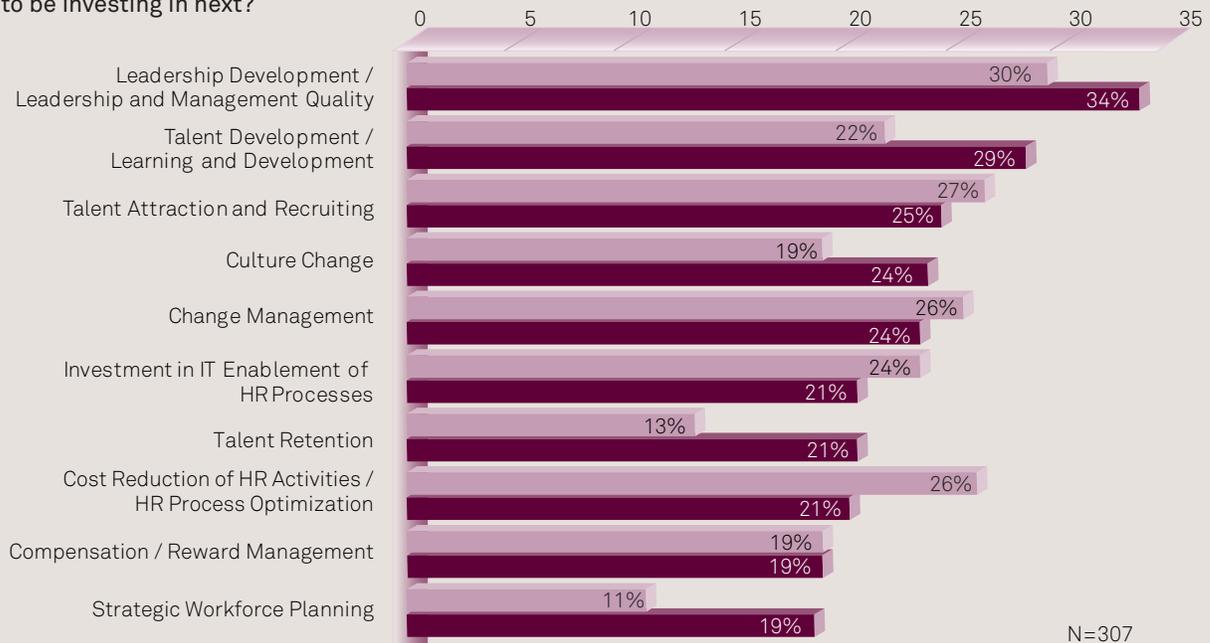
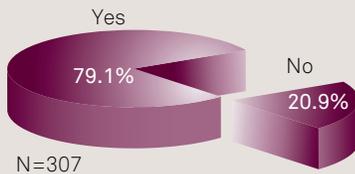


Figure 3: Talent Recruitment and Retention Is a Concern for Most Companies

Is the recruitment and retention of talent currently a concern for your organization?



indicated it was one of their top concerns (see Figure 3). A full portfolio of strategic sourcing strategies and channels can attract the right candidates with the right competencies to address organizational needs and business objectives. One key talent acquisition strategy involves strengthening the corporate brand to build awareness and attract top talent. A highly visible, innovative and desirable corporate brand, tailored and targeted not only to a company's customer base but to its specific target talent demographics, is one of the most powerful talent recruitment tools available.

Leadership identification and development tops the agenda

A leadership development strategy that identifies skill gaps, enables strategic talent review and succession planning and builds effective development strategies is important to enabling the leadership pipeline to address present and future organizational needs. Well-structured leadership identification and development programs not only aid business continuity, but also help drive organizational innovation, performance and growth with the development of next-generation leaders. Successful leadership identification programs help enable organizations to

effectively identify emerging leaders and high-potential talent who are more strategic and effective in their thinking and approach.

Learning and development programs increase in focus and investment

Learning and development programs are increasingly moving to the forefront of the HR executive's agenda. The measurement of outcomes is crucial in verifying that programs have a real and demonstrable effect on the organization's top and/or bottom line. Learning and development programs need to empower employees to achieve business targets with greater efficiency and effectiveness. Relevant learning programs are designed with consideration of business needs as well as employee preferences for learning.

The recession led to significant cuts in learning and development programs. With reduced resources, companies are now quick to adopt digital learning opportunities. The use of online training programs to reach a global employee base and the increasing use of social media tools to deliver context-specific micro-training are very quickly gaining importance.

3.2 Digital Strategies and the Connected Organization

The leverage of digital strategies enables innovative service delivery models and is fundamental for HR transformation. Survey respondents indicate overwhelmingly that they have adopted a portfolio of HR systems and solutions with in-house systems dominating the IT-system landscape. More than 75% of respondents have already executed initiatives to increase workforce connectivity that

they consider to be very important in enhancing workforce productivity. Social media tools are at the forefront of new technologies that are being employed to enable ease of connectivity among employees (see Figure 4). Companies are using LinkedIn extensively to source passive candidates globally and for referrals, they are using YouTube and Facebook to build their employment brand. Another popular trend is to deliver micro-training via social media tools on employee portals. These short sequences of 'build once, run often' on-demand training programs reach a global employee base to help build global capabilities.

Transformation to a connected organization means integrating people, processes and technology—efficiently and globally. While companies have made great efforts to streamline processes and technology, these efforts do not always translate into enhanced delivery of HR services, and the results of massive investments in HR infrastructure have been mixed. Survey respondents indicate that SaaS (Software as a Service) is most effective at delivering on the promise of HR transformation and better enables HR as a business partner within the organization (see Figure 5).

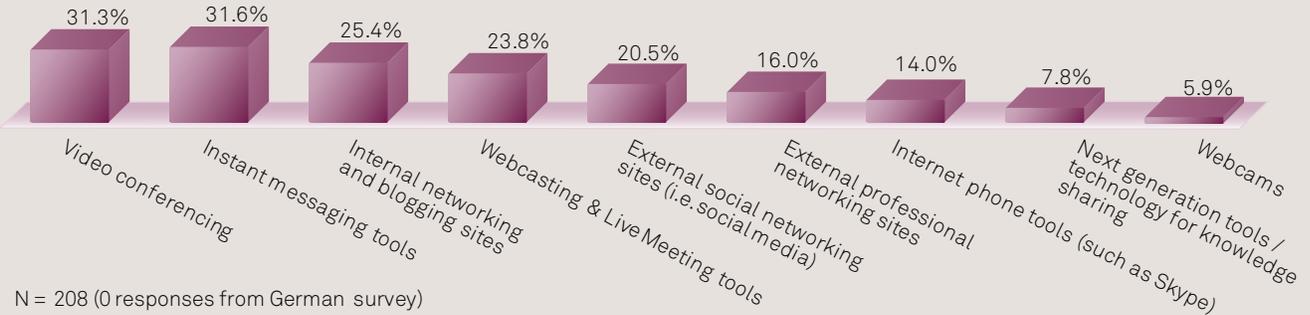
A SaaS model for delivering Human Resource Management (HRM) systems is rapidly gaining in popularity for several reasons:

- Rapid deployment of pre-configured technology and service delivery solutions with limited up-front spend
- No license acquisition costs or maintenance and installation costs
- Greater usability

Figure 4: Use of New Media Tools to Improve Workforce Connectivity

Video conferencing, instant messaging and internal networking are most widely adopted media to increase workforce connectivity within an organization

Which of the following media does your organization currently make use of?



- Cost savings from accelerated implementation to redirect to other elements of HR transformation
- Little to no upgrade costs

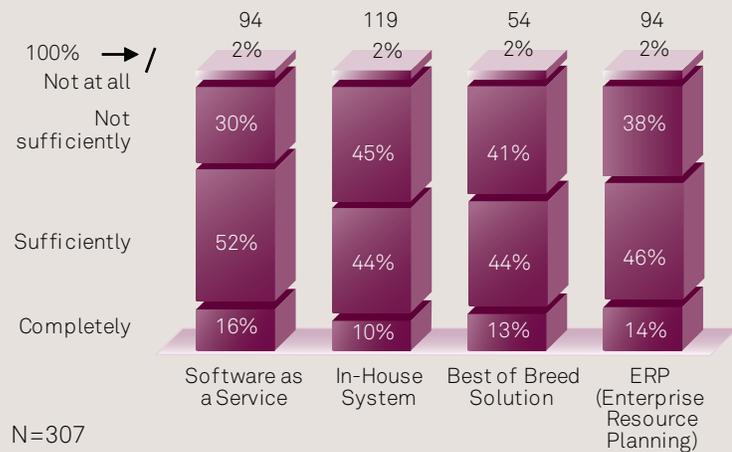
With the continued growth of cloud storage options and increasing cost pressures on organizations, increased adoption of SaaS solutions is expected. Of all the industries surveyed, public sector and financial services were the largest adopters of HR technologies, built in-house or as SaaS solutions.

It's no surprise that social media technologies are gaining prevalence in the corporate setting, given how entrenched they are in the everyday lives of employees. Of the survey respondents, 43% indicate that it is quite important for their workforce to be connected using social media tools and approximately 42% believe that it is very important to do so (see Figure 6). Only 16% of surveyed executives believe they have a well-connected workforce, and half of respondents

Figure 5: HR Technology Solutions by Type

Software as a Service HR solutions enable HR to be more effective business partners

Which HR information system acts as the best enabler of HR as a business partner?

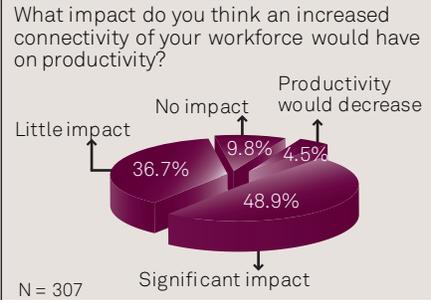
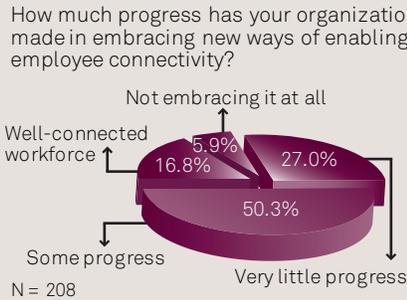
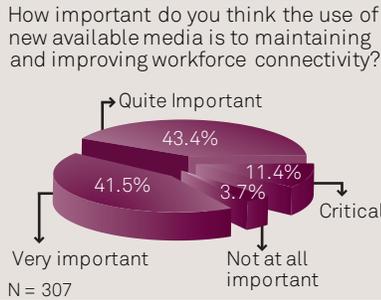


indicate that their organizations have already made some progress in deploying new media tools to improve the connectivity among their employees. 37% of respondents believe

that social media tools had little impact on the productivity of their respective workforce.

Figure 6: The Importance of New Media for Employee Connectivity

Companies think that adopting new media to improve workforce connectivity is important for positively impacting the productivity of their workforce



3.3 An HR Operating Model to Align HR with Business Strategy

Transforming HR to spend less time on administrative tasks and more time on strategic initiatives is easier said than done. It is also a decades-old endeavor; the difference now is that technology, outsourcing and workforce analytics solutions have dramatically improved in recent years.

HR Shared Services plays a vital role in achieving this transformation. An effective and multi-faceted HR delivery model can actually improve HR services with fewer resources and lower costs, allowing HR to focus on adding value to the business. Figure 7 represents a common multi-faceted HR operating model that hinges on three main roles within HR to add value to the business.

1. HR Business Partner (HRBP) provides strategic and consultative services to the business.
2. Centers of Expertise (COEs), with technical experts, work across business units to support program delivery around benefits, compensation and talent management.
3. Shared Service Centers handle HR transactions in order to reduce the HRBP and COE involvement in routine administrative tasks.

Figure 7: Most Common Multi-Faceted HR Operating Model



The HR Barometer survey results highlight that:

- Although HR acts as a business partner in most companies, businesses require HR to be more involved in making business decisions and executing business strategy. Most respondents felt that HR still needs to show tangible contributions to a company's bottom line (see Figure 8).
- Nearly half of the companies have fully-formed COEs set up, and these companies are mostly satisfied with their performance. Strategic functions are managed through global COEs while others are managed at a local or regional level (see Figure 9).
- Little more than half of the companies have leveraged HR Shared Services, and those that do are generally satisfied with the level of support provided by them. HR Shared Service functions are expected to free up more time for the HR partners to undertake more strategic activities.
- HR budgets are expected to increase or remain unchanged through 2012, and in cases where budget is expected to increase, the increase is not expected to be more than 10% in half the cases.
- About 60% of the respondents surveyed indicated that they have outsourced some HR-related functions, and many are planning to outsource even more in the future. Capgemini Consulting's experience would suggest that most outsourcing has been in payroll, benefits and certain maintenance functions such as expat processing, screening, assessments and select training programs.

The strategic outsourcing of non-core competencies and/or those that are more efficiently delivered by third parties can allow HR to improve its service delivery by reallocating resources to more value-add activities.

Additionally, there are region-specific trends in HR organizational structures. Shared Services functions, COEs and HR outsourcing were least prevalent in Europe, for example. South American companies also ranked low for Shared Services and COEs (see Figure 10).

Figure 8: Contributions of the HR Business Partner Role

Although HR fulfills most criteria for being an effective business partner, it still needs to prove itself as a significant contributor to the company's bottom line

Which of the following criteria help to identify the extent to which HR fulfills the business partner role?

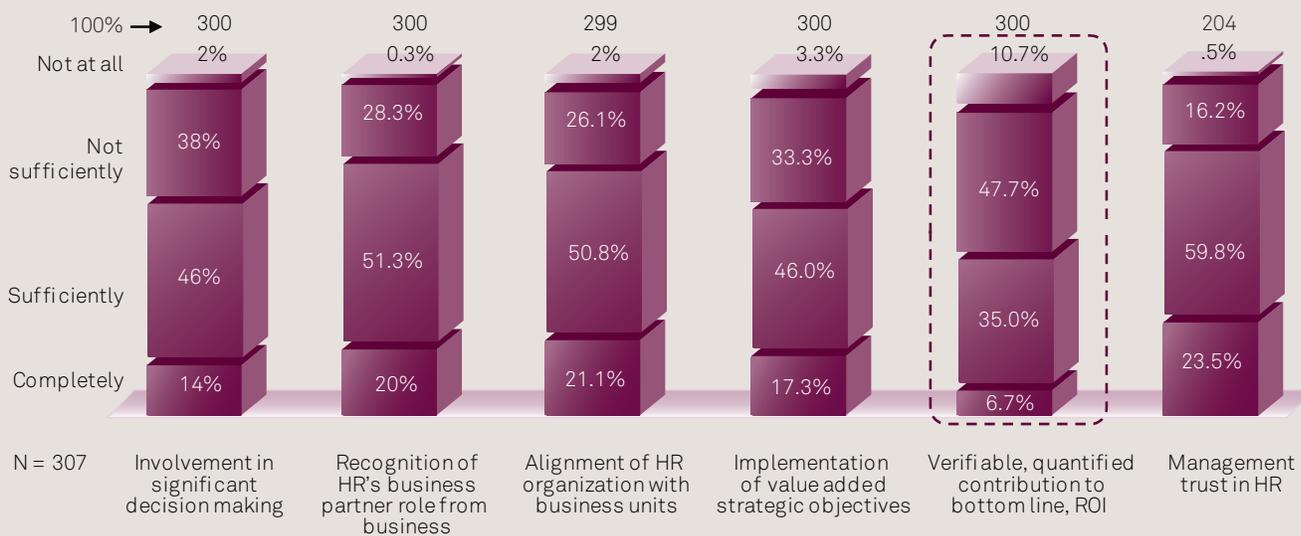
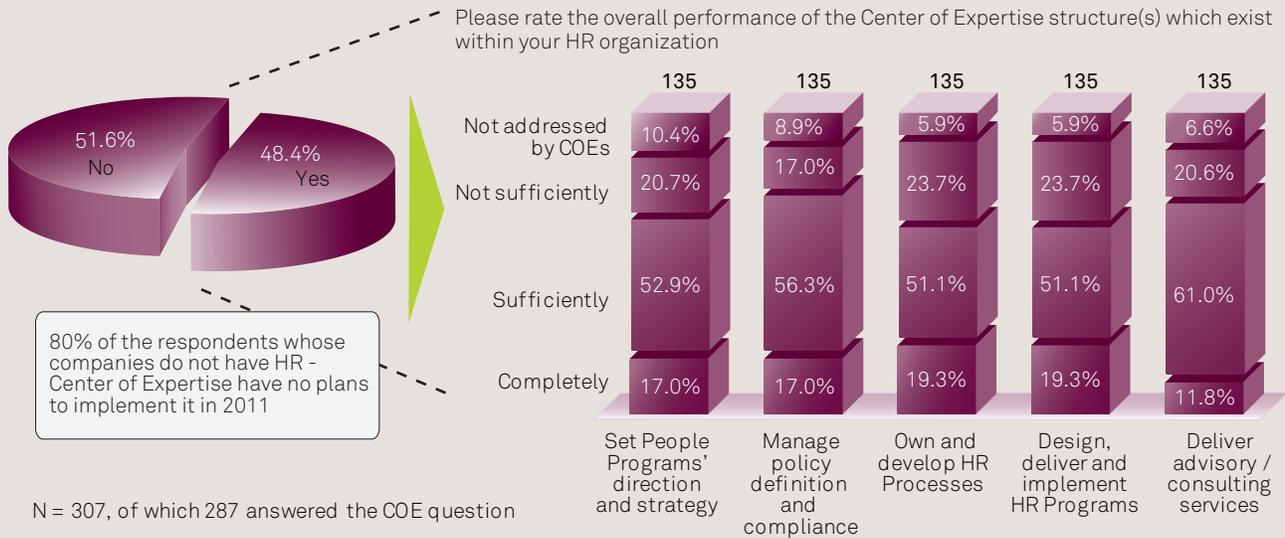


Figure 9: Satisfaction with HR Centers of Expertise

Respondents who have an HR COE in place in their companies are mostly satisfied with its services

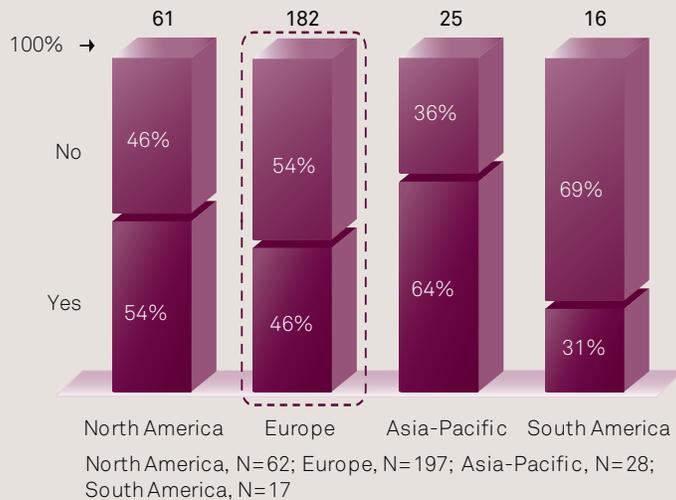


Most South American respondents indicated that their companies were engaged in selected outsourcing. Companies in North America and Asia Pacific have adopted all three models to a much higher degree. About 60% of respondents indicated that they have outsourced some HR related function and many are planning to outsource even more in the future.

Eighty percent of respondents agreed that their operating model helps HR act as a partner to their business. Among those organizations where HR was not structured globally, over 40% of respondents indicated that HR was not sufficiently functioning as a business partner.

Figure 10: Regional Preferences for Centers of Expertise

Does your organization have any Center of Expertise structures in place?



4. The Way Forward

It is clear that strategic workforce planning, a globally integrated talent management framework, and an enhanced HR operating model leveraging collaborative technologies are fast becoming key drivers for businesses to be competitive globally.

Given the HR Barometer survey results, it is expected that leading, high-performing organizations will remain focused on the following strategies:

- **Investing in building a workforce planning capability:** A solid foundation of high-quality employee data and analytics feeds the design and implementation of talent acquisition, learning and career development, succession planning and compensation planning.
- **Embracing new ideas on attraction and retention:** High-potential employees are retained through internal mobility or rotational programs. Large conglomerates are leveraging career lattices to create networked enterprises with significant talent mobility and a lateral talent growth focus. Use of social media networks and employee referrals to source talent is expected to grow across industries.
- **Integrating systems, processes and service delivery:** HR business partners supported by global COEs are the drivers of talent strategy. Strategy is enabled by a solid technology, global processes and a robust service delivery operational foundation.

The battle for talent is not a new topic, but the game is truly different today with a more complex battlefield. The capacity to attract, develop, grow, retain and cultivate talent across multiple dimensions to meet business demands for growth is the true people challenge of this decade.

Building and providing flexible, adaptive and fluid organizations is not negotiable. A knowledgeable, enabled and motivated workforce is becoming increasingly instrumental in the sustained success of today's businesses and thus further illustrates the growing importance of human performance in driving successful outcomes.

Case Study: People Architecture

A multi-national utility company redesigned its entire U.S. operating model to identify and prioritize several key business drivers, all of which the company is now on track to meet. The new business model is designed to drive operational efficiency, customer intimacy and high performance. The new People Architecture includes increased spans of control and fewer organizational layers—working effectively in a matrix environment and driving a high performance culture. New leadership qualities will be developed to enable the new operating model that includes shared financial targets and accountabilities. A myriad of initiatives have commenced to build a new culture and capabilities to support a vastly different operating model.



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