

HR Transformation:

Driving Business Results

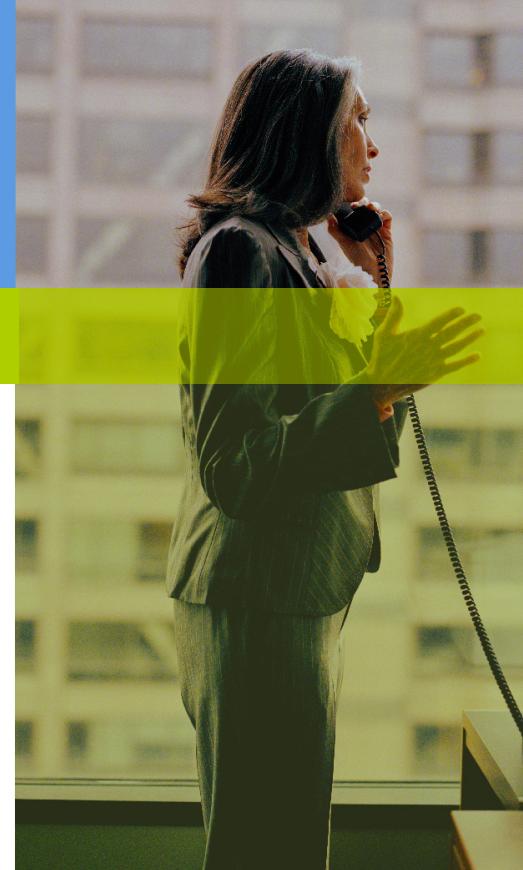
Although two-thirds (66 percent) of all human resources (HR) departments still struggle to deliver more than basic administration, the tide may finally be turning according to a new Fidelity survey¹ of senior HR executives at more than 100 of the largest U.S. corporations.

HR Transformation Gaining Traction Nationwide

For the last several years, most HR change efforts in corporate America have been concentrated on upgrading HR operations, implementing self-service technology, and rolling out talent planning initiatives. However, one-third of HR organizations recently surveyed indicated that they have now moved beyond basic administration with some (9 percent) providing high performance HR functionality that is efficient, cost-effective and standardized, and others (13 percent) improving organizational focus by expanding capabilities and improving workforce effectiveness.

Most importantly, a small but significant number (12 percent), reported a level of strategic involvement that suggests they have achieved true business partnership with the leaders of their organization. According to the survey, these leading HR departments not only offer administrative excellence and organizational focus, but also play a key role in defining and executing their overall business strategy.

While achieving true business partnership remains a stretch goal for many HR departments, the current prevalence of change initiatives suggests an escalating trend in which HR departments nationwide are taking tangible steps to expand their current capabilities and increase their strategic corporate contribution. In fact, 91 percent of those HR departments surveyed are either already playing a strategic business role, or taking steps to move in that direction.



97% of surveyed HR executives at 100 of the largest U.S. corporations indicated they are currently undertaking, or have recently completed, transformation efforts designed to improve HR functionality and services.



TOP HR CHANGE EFFORTS	RESPONDENTS*
Improving or Upgrading HR Operations (Such as reorganizing/consolidating/centralizing and/or streamlining/standardizing processes.)	86%
Implementing Self-Service HR Technology (Such as online benefits enrollment, HR data entry/updates/requests and/or performance reviews and goal tracking.)	75%
Implementing Talent Planning Initiatives (Such as better training and development, talent management and/or performance management and goal tracking.)	82%
Integrating Companies from Mergers & Acquisitions	70%
Implementing Global Workforce Plans (Such as offshoring, managing multicultural issues, compensation and benefits or communications.)	34%

* Percentage of companies surveyed who reported undertaking given change initiative during the last two years.

"We are in a rebuilding mode," said a vice president at a manufacturing company with more than 50,000 employees. "We have been increasing our change management and strategic HR skills by bringing new talent into the organization. We're also partnering with operations leadership on strategic business issues and talent management."

Transformation Initiatives Driven Mainly by Desire to Improve HR

Interestingly enough, cost reduction was not cited as the primary business driver for undertaking an HR change effort, although it is among the key drivers. Instead, survey respondents cited a desire to increase operational efficiency and improve the employee experience as top drivers, confirming that HR itself is the driving force behind these initiatives. In fact, 84 percent of those surveyed reported HR as having initiated the change effort.

Top Business Drivers

- Improving or streamlining operational efficiencies
- Improving the employee experience
- Reducing costs or allowing for more predictable pricing
- Increasing value-added HR functions
- Documenting processes

Change Management Challenges Faced

Implementing any business change, however, is not without its challenges, and the majority of HR executives reported facing significant barriers. Approximately half, for instance, reported that they didn't feel they had enough money or people to do the work, with an equal number stating that they also encountered technology issues.

Top Challenges or Barriers

- Not enough people or money to do the work
- Technology issues
- Not enough time to plan and execute properly
- Internal resistance
- Not able to show immediate savings
- Not having the right people to do the work

Cultural changes also emerged as a key challenge in the areas of operations and self-service, while insufficient employee training or communications were primary challenges for those implementing talent planning initiatives.

"Do not underestimate the power of culture and the challenge of assimilating people in that culture," cautioned a senior executive vice president at a retail company with more than 25,000 employees.

HR Execs Rely on Outside Partners to Overcome Transformation Challenges

Undeterred, a significant percentage of survey respondents reported using outside partners to help them succeed, with 62 percent working with an outsourcing provider for self-service technology initiatives and 53 percent relying on outsourcers to upgrade their HR operations. Smaller but still significant percentages worked with outside providers for the other key change initiatives: talent planning initiatives (32 percent), merger/acquisition-related integration (18 percent) and global workforce planning (25 percent).

Despite Challenges, HR Transformation Initiatives Bring Value

Although the majority of HR executives felt that undertaking HR change was—or continues to be—difficult, a significant percentage also felt that they were achieving their desired outcomes despite the fact that in many cases the initiatives were still in process.

In fact, nearly all survey respondents (90 percent) felt that efforts to improve or upgrade their HR operations resulted in value for the company, with implementing self-service technology a close second (85 percent), and a smaller but still significant percentage (68 percent) supporting talent planning initiatives.

"Expect resistance, sometimes from unexpected sources," counseled a director of human resources at a wholesale company with more than 10,000 employees. "Keep your focus on the end result rather than the transition process.

The effort will ultimately be very rewarding and will position the company for growth thanks to ease of administration."

"We are currently in the early stages of implementing an HR transformation plan that will change the way HR services are delivered to the organization in order to enable our HR generalists to become true business partners."

—VP at a large manufacturing company

Conclusion

As HR departments continue to shift their focus away from administration toward driving bottom-line results, we expect to see steady improvements in HR capabilities nationwide, with some leading HR executives also achieving a seat at the table as a true business partner. In that capacity, HR will ultimately move beyond simply supporting business goals, to playing a critical role in defining and executing their overall corporate strategy.

¹ Fidelity Investments contracted with Richard Day Research to survey top HR executives at large U.S. companies during the fall of 2005. More than 100 companies with more than 10,000 employees participated. Of those, more than one-third had more than 25,000 employees. All major industry groups were represented.

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Ten Smart Moves for HR Transformation

To help other HR executives undertaking HR change efforts, survey respondents offered up the following lessons learned:

People

1 Put the right transition team in place.

"The top two or three HR leaders must be passionate and resolved that it's the right thing to do."—VP at a manufacturing company with more than 25,000 employees

2 Build support from top management.

"Have a good business case and get the business leaders and C-suite on board early in the process."—VP at a large food manufacturer

3 Make sure you have sufficient financial and people resources.

"Make sure that you have budgeted the project appropriately. Keep in mind that there are hidden costs."—Director of Human Resources at a publishing company with more than 10,000 employees

4 Identify who the appropriate internal change agents/facilitators are.

"Get the right people and teams involved early on, and develop a list of those who will be supporters and those who will be barriers."—Director of Human Resources at a large communications company

5 Provide employees with new training.

"Employee training is critical and must be part of the plan."—Director of Human Resources at a transportation company with more than 10,000 employees

Structure

6 Do extensive planning to prepare for the change or transformation initiative.

"Develop a detailed project plan that would include, but not be limited to, a budget, schedule, resource identification, organizational involvement and top management support."—VP at a large manufacturing company

7 Review policies and procedures.

"Document your existing policies and procedures—and get full buy-in on the new policies and procedures before starting the process."—VP at a professional services company with more than 25,000 employees

8 Establish a system to reward progress against your change or transformation initiative.

"Closely monitor the progress and review outcomes."—VP at a large wholesale and distribution company

Communications

9 Make a concerted effort to communicate the need and rationale for the change initiative.

"Be clear on the intended outcomes and the value they will bring to the company and provide a direct line of sight between the initiative and business performance."—VP at a manufacturing company with more than 15,000 employees

10 Provide specific feedback detailing each employee's role in the effort and how it affects him/her.

"Employee communications must be proactive, inclusive and open. Changing culture company-wide and in individual work units requires an extensive communications effort to help employees understand what is expected of them and how their efforts add value to the whole organization."—Director of Human Resources at a large utility company



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