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02

From point of no return to return on investment: Smart ways to gather workforce intelligence for big gains

14

HR's game-changer: Predictive analytics

22

Shared services grows up: Why the time might be right to put Next-Generation SSC to work

30

Focus on the fundamentals but reach for the Clouds



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Contents

<i>Foreword</i>	01
Scott Olsen, <i>US Leader, Human Resource Services</i>	
<i>From point of no return to return on investment: Smart ways to gather workforce intelligence for big gains</i>	02
Scott Pollak	
<i>HR's game-changer: Predictive analytics</i>	14
Ranjan Dutta	
<i>Shared services grows up: Why the time might be right to put Next-Generation SSC to work</i>	22
Srinivasa Gabu	
<i>Focus on the fundamentals but reach for the Clouds</i>	30
Marney Edwards	



Leading organizations are activating metrics, surveys, and predictive analytics to bring workforce insights out of the shadows.



Foreword

Talent is at a premium. Misalignment between available workers and needed skills, along with expanding timeframes for finding talent are limiting the ability of companies to fully pursue growth agendas. The days of cost cutting, hiring freezes, and hamstrung budgets have yielded to a pressing need for businesses to get back to growth and for HR to mobilize and manage the talent that can make it happen.

Harnessing the strength of human capital capabilities in pursuit of competitive advantage and global growth remains our guiding goal. But today, it's not enough. The C-suite wants HR to hit the sweet spot with better, smarter, faster, and leaner performance. The time is right for HR to step up its game and meet these stepped-up demands and expectations. How do we get there? Challenging though it might be, we believe the tools exist to get the job done.

A significant part of the answer lies not in the soft skills so often presumed to underlie the essence of HR, but in the nuance of data. Far from turning the HR practice into a numbers game, it's about using workforce data to better read our organizations and the people that power them.

Leading organizations are utilizing human capital metrics, surveys, and predictive analytics to bring workforce insights out of the shadows and to draw a vivid profile of everything from workforce trends, patterns, and motivations to operational and HR cost drivers and organizational assets. Today's expectations are high. But HR today has access to a suite of analytical tools like never before—analyses that can help us enable our enterprise assets and inform the C-suite with high-performance, high-level, and highly effective perspectives and insights.

If you're interested in getting a closer look into these assets and how they can help you meet your strategic organizational and HR goals, dig into this edition of *HR Innovation*. In the following pages, we'll take you on a journey through the ins and outs of workforce analytics and give you a good view into the challenges and triumphs that await:

- From point of no return to return on investment: Smart ways to gather workforce intelligence for big gains
- HR's game-changer: Predictive analytics
- Focus on the fundamentals but reach for the Clouds
- Shared services grows up: Why the time might be right to put Next-Generation SSC to work

We see this data as a sleeping, benevolent giant that's poised to bestow keen insights and a more sophisticated, competitive, sustainable talent model on HR leaders, the organizations they serve, and the talent they manage. They who hesitate won't necessarily be lost. But they won't be standing on the shoulders of giants, either. They could. And they should. How good is your view? How high are you aiming?



Scott Olsen

US Leader, Human Resource Services



From point of no return to return on investment: Smart ways to gather workforce intelligence for big gains

By Scott Pollak

Workforce intelligence stands poised to deliver to HR practitioners something for which they've long pined—a way to manage, measure, and demonstrate workforce return on investment. It's taken a while for the premise to take hold. When we introduced the notion of workforce intelligence teams three years ago, our webcast polling at that time indicated that more than half of our participants' HR departments dedicated only one person—if that—to accessing and analyzing related labor information.

We've since seen a sea change in the last few years, an indication that workforce intelligence programs are gaining serious traction. But many businesses have progressed just far enough along in their efforts to have gotten tangled up in near-term details at the expense of establishing a sustainable workforce intelligence program in the long term.

More than half of the companies responding to our recent informal poll dedicate full-time teams of two to five employees to the task of analyzing workforce data. As companies begin to build the workforce intelligence function in earnest, the dollars become material; the headcount requisitions get placed; and the IT business cases get built to support the initiative. And many companies remain mystified as to practical next steps.

The good news is that organizations have been eager to embrace the potential of harnessing workforce intelligence. The less-good news is that many have rushed headlong into the effort only to achieve less-than-stellar results, either because:

- Workforce intelligence results have failed to prompt business leaders to 'lean forward in their chairs' because the program hasn't come near its full potential, providing only a faster version of the same kind of headcount and standard HR reporting that's always been available. The average busy C-suiter will likely meet this with a 'So what?'

- The project's scope and scale have grown so out of control that nothing of business value can be created in the near term. Despite millions of dollars of investment, these companies won't be able to see results, if any, for years, and can't count on a known payoff even then.

Companies that can use workforce intelligence to illuminate return on investment and get the biggest bang from the labor force buck will have a shot at building and maintaining a sustainable competitive advantage. The rest? They'll likely see slower growth and place themselves at a cost disadvantage. Not too intelligent, in the workforce or on the street.

If you're ready to grow workforce intelligence the right way and make the most of your investment, read on. We'll walk you through some insights into how you can achieve workforce intelligence success, build a sustainable workforce intelligence operation, and launch a process that can help place your business at an ongoing competitive advantage.

Return on workforce investment

What's exciting about the concept of 'return on workforce investment' is that it encompasses all of the objectives of HR, captures all of the impact of the programs HR works so diligently to roll out and maintain, and puts it all into a single package. Better still, you can rely on a single measure to assess the degree to which the organization is reaping its benefits to win long-term competitive advantage.

At the heart of workforce intelligence implementation is the shift from a standard HR reporting approach to one that focuses on the business impact of the workforce. In the early going, HR might have a surprisingly tough time fielding questions as seemingly simple as:

- How many employees do we have?
- Are we meeting our hiring objectives?
- Does actual headcount equal budgeted headcount?

If it's taking a week to get an answer to one of those questions, the organization probably still hasn't mastered adequate governance over basics such as:

- How do we define 'employee'?
- How do we define 'turnover'?
- What constitutes a high performer?
- What's a pivotal role?
- How do we track our total investment in labor?
- What skills will we need in the future?

Rather than perpetuating a culture where these issues arise only as theoretical conversations conducted in dark corners among co-conspirators, companies should embrace workforce intelligence to surface the facts they need to move forward.

Companies transitioning to workforce intelligence recognize that the key question—the one that dogs the analytics team, causing it to poke and prod rows and columns of data, the one that seems to confound so many of their HR colleagues—is: Are we improving our return on workforce investment?

When we invest in people through compensation, benefits, training, management/leadership, increased hiring, and the like, do we see a corresponding improvement to performance? The flip side applies equally: Are diminished investments through reductions in force, freezing of bonuses, moving labor to lower-cost regions, and the like handled in a way that creates a corresponding loss in output?

An HR rallying cry

Return on workforce investment rests on three concepts:

- Productivity
- Unit costs
- Return

HR departments that can get their arms around these concepts can establish a structure for evaluating their programs, a means for aligning leadership, and a rallying cry for the whole department.

Return on workforce investment boils down to two questions:

- What's our workforce investment?
- What's the return from our investment?

Let's take a look at these questions, starting with assessing return on investment.

When most HR practitioners hear the term 'return,' they equate it with profit. We see a real philosophical difference here. If the workforce works hard, is more productive, and drives output, what we see is improved revenue. From our perspective, profit is an indicator of leadership. If leadership does a good job of allocating resources to deliver revenue, leadership achieves profit.

The first-order impact of the workforce is revenue. The derivative is profit. Therefore, the answer to the question concerning return on workforce investment starts appropriately with revenue.

Arriving at real workforce output

Companies in diverse industries might be challenged to find a pure revenue number that's sufficiently precise:

- In some industries, prices, and therefore revenue, are inflated by commodities. If the cost of corn rises and this increases prices to the consumer, companies with corn as a significant input may increase revenue without experiencing increased workforce output. Similarly, if you pull oil, coal, or gold from the ground, then the prices of these commodities affect revenue, regardless of employee productivity.
- In some industries, significant portions of revenue can reflect the results of a disproportionately small segment of the workforce. Life insurance companies derive a significant portion of their revenue from investment income, and therefore may wish to exclude it from an assessment of operations.
- In other industries, operations and revenue are linked only marginally. For example, public utility commissions set the prices of US electric utilities, while rates are based on operating costs. So revenue isn't really based on workforce productivity; in this case, utilities might consider looking not at revenue, but rather, at units produced (megawatts).

As companies evaluate modifications to revenue, many jump to 'operating profit,' or revenue minus the cost of goods sold. This number makes sense initially, because it takes out the costs of raw materials, thereby

reducing the impact of input price fluctuations. However, operating profit also removes the cost of labor to produce the goods sold, which we'd prefer to include. For many companies, revenue-raw materials serves as an effective number.

Evaluating workforce investment poses an even greater set of challenges for many companies. The first question: What employee reward programs constitute 'investment'? The laundry list seems simple to put together, but the details can prove far more thorny than initially presumed. Here's why:

- Moving from salary to W-2 income represents a significant mindset change for most HR departments, requiring them to take into account issues of overtime, bonuses, and a series of one-time payments such as severance, relocation, vacation payouts, and the like, which typically had not been considered.
- Other benefit programs, including health care, retirement, vacations, and legally required payments, also should be considered. This frequently represents another one-third of the investment in labor beyond compensation. Additionally, each of these benefits brings its own set of decisions about defining 'investment' to support decisions about accounting versus cash costs and determining the timing of certain costs among quarters and fiscal years.



The shift from simple headcount analysis to a more detailed analysis of the impact of the workforce on the business is a crucial first step toward developing an effective workforce intelligence program. We're not suggesting that headcount and movement analysis needs to be added to the corporate scrap heap. By shifting the measurement focus to include productivity and cost, companies will be in a better position to understand the return on workforce investment. This provides a framework for interactions with management and leadership on decision making and enables HR to work with the business to align the workforce to business strategy.

Scaling the workforce intelligence maturity curve

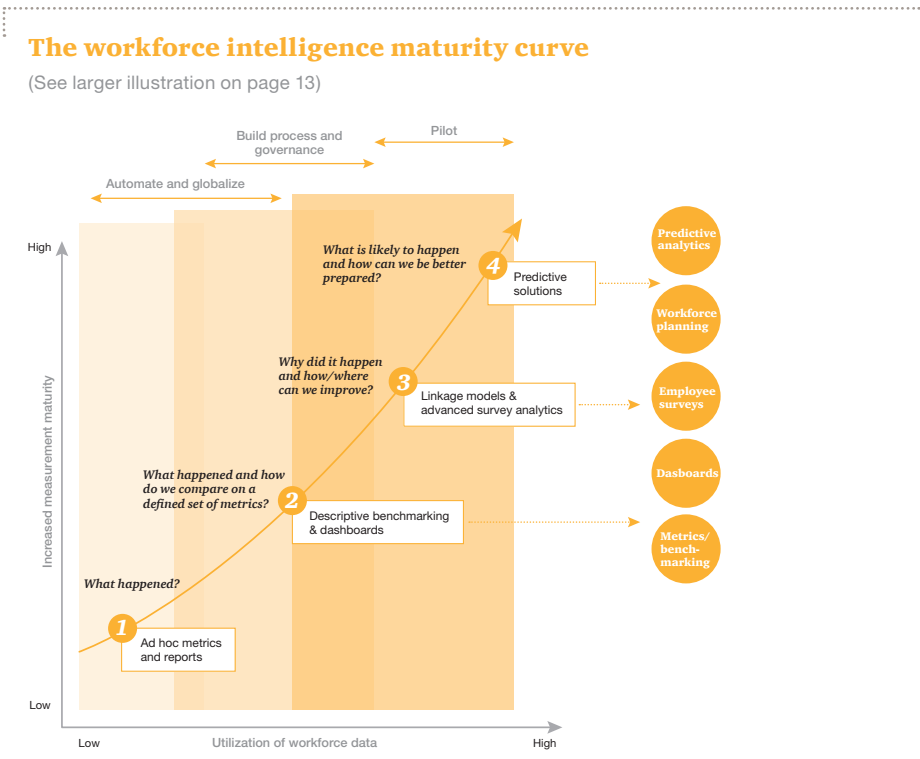
In our experience, creating a workforce intelligence program requires that companies build through a series of increasingly sophisticated offerings, capturing these developments on the maturity curve as they progress. Despite the classic business objective for those that feel they're behind in the race

By shifting the measurement focus to include productivity and cost, companies will be in a better position to understand the return on workforce investment.

to ‘leapfrog’ competitors, we haven’t found that companies can successfully leapfrog up the maturity curve. Those that create sustainable organizations that systematically provide decision-making insight tough it out, starting at the bottom of the curve and working themselves up.

While it’s certainly possible for HR departments to create the more sophisticated deliverables at the top of the maturity curve without establishing the foundational elements, they tend not to be sustainable and are eventually discarded in regime changes or budget crises. Alternatively, these overreaches can falter when the pace of work on the deliverables in the upper reaches of the maturity curve eventually comes to a standstill while focus shifts back to the foundational elements.

Why is leapfrogging so difficult? We believe the answer lies in the sheer number of issues that need to be resolved for most large, complex companies, which face numerous challenges, including data quality, source systems, standards and governance, talent processes, global availability, business partner capability, business case credibility, HR department inertia, operations expectations, and more. Consequently, companies are better served by chipping away at some of these issues to first create simpler workforce intelligence deliverables, using the muscle developed from these exercises to address increasingly sophisticated uses of workforce information.



While companies will mature to develop additional capabilities over time, they also continue to deliver the initial programs, which typically include these elements:

Reporting and analytics—Provide a comprehensive list of results on a specific topic (classic turnover and headcount reports), allowing for summary, detail, and root-cause analysis. Reporting itself may or may not be included among workforce intelligence findings, but analytics will be.

Reporting evolves into analytics when meaningful dynamics come into play, such as the ability to filter by demographic

groups, show trends, drill into detail, and the like. Some analytics also provide improved graphical reporting capability.

The move to analytics also begins the process of pulling together data beyond the single topic, as the filtering and drilling can lead to the combination of data from multiple sources. Typically, the move to analytics also requires the company to move to a ‘single version of the truth’. For example, it’s not acceptable for various stakeholders to use individual pet definitions for ‘turnover’, or for finance and HR to report divergent results for the same number.

Companies moving up the analytics maturity curve also find that benchmarking effort provides valuable experience in understanding their own data. The comparison with market standards frequently exposes the lack of internal standards.

Benchmarking—Provides a comparison for the metrics in the report and at a basic level, allowing the company to answer the question, ‘Is my result good?’ Benchmarks can be external (comparing to other companies’ results), or internal (for example, comparing one hospital in a system to others in the system). Companies should remain aware of common benchmarking flaws and their potential to taint results. Examples include failure to achieve the proverbial ‘apples to apples’ comparison, failure to recognize that matching the performance of others in a peer group might not represent success, and mistaking the role of a benchmark with the role of a target.

Companies moving up the analytics maturity curve also find that benchmarking effort provides valuable experience in understanding their own data. The comparison with market standards frequently exposes the lack of internal standards and data quality issues that otherwise might not surface.

Dashboards—Provide a summary-level statement on results that allows for a quick assessment and serves as the basis for further conversation and inquiry. Typically, the dashboards that a workforce intelligence unit produces are oriented toward company, operational, and HR leadership.

While at some level a dashboard can be seen simply as a report, we differentiate the two:

- The dashboard looks at multiple kinds of data on a single metric (historic trends, YTD results, annualized forecasts, targets, and the like) to identify key metrics and information.
- The dashboard generally blends the workforce lifecycle, financial, and customer information in a way that differs from the more thorough view that appears in a report.

Many organizations that have met with uninspired results in their attempts to develop dashboards or key performance indicators (KPIs) can raise their game by adopting these leading practices:

- Put a stake in the ground on what it thinks the organization should look at, postponing the solicitation of stakeholder input until later in the process.
- Identify metrics that represent the achievement of business and talent strategy, rather than relying on a one-size-fits-all set of metrics that might come from a book or generic resource.
- Don’t limit the selection of KPIs to those sourced from a single system, or to data that’s easy to tap.
- Confirm that the number of metrics included in the dashboard rigorously adheres to the quantity that’s appropriate to the audience, perhaps as few as three and typically not more than 15.
- Spend at least as much time determining how the dashboard should be used and training the organization in using it as is spent identifying metrics and collecting data.

Survey and survey analytics—Provide additional insight into employee survey results beyond the standard reporting the survey might generate. Many organizations view engagement, exit, and

onboarding surveys as standalone activities, when in reality, they're critical sources of analytical information. By linking survey data to classic metrics, companies can create a far more robust set of information. These more sophisticated analytical techniques can deliver insights such as:

- Improving linkage between engagement results and business results. For example, what's the engagement score for client-facing teams, and what's the linkage between engagement of these teams and revenue growth, customer satisfaction, and the like?
- Performing statistical analysis of clusters by segmenting crucial employee groups based on mindset or approach to work. For example, consider what patterns might emerge in classifying call center employees into first-job, mid-career, second-income, and post-career groups.
- Modeling employee opinions across the lifecycle to determine, for example, if the discontentment of high performers in the employee engagement survey matches the reason for separation identified in the exit survey, or considering how engagement might evolve as tenure increases.

Companies can face challenges in achieving this analysis, as many are unable to get employee-level responses from survey vendors, or have concerns about reduction in the response rate should they communicate that the company plans to analyze employee-level data. Possible remedies include working with an outside vendor (your survey provider or another vendor) or communicating how the company plans to use the information and its value in helping to meet enterprise objectives.

Predictive modeling—Provides a statistical approach to modeling future outcomes based on prior outcomes. Individual models are developed for each outcome, such as models for predicting turnover, retirement, safety,

health or absences, performance, engagement, and more. The models compile hundreds of pieces of information on individuals, often from a variety of sources or calculated based on source data. For example, an attrition risk model might evaluate pieces of information including bonus amount, performance rating, manager, commute distance, or salary against midpoint range.

Various statistical analyses are performed on these data sets to determine the impact that each piece of information historically has on outcomes, such as determining the influence of commute distance or time since the last promotion. Once the model is built, it's applied to the workforce population to determine the likelihood of the outcome. Results can be viewed at an individual or group level. Results from the predictive modeling can be used in a few ways:

- As part of employee review and coaching sessions, in which the results themselves are not available, but where HR might identify a list of pertinent issues to discuss with the employee
- Embedded in the workforce planning process
- To provide insight into the action planning that HR should take relative to dashboard or engagement survey analytics

Workforce planning—Provides an approach and methodology for understanding future workforce requirements and aligning the workforce to the business strategy. At its most basic, an operational workforce plan determines staffing requirements for the coming year and provides a hiring requirement. The crux of the workforce plan is an assessment of the company's future demand for workers and the ability of the current workforce to supply talent. The gap between future supply and demand provides the basis for planning HR programs, policies, and practices as solutions.



More often, today's companies are looking to take workforce planning 'to the next level,' pushing the planning horizon three to five years out. This can result in a far more robust outcome. Companies must consider mid- to long-range business strategies, such as the impact of new technologies, expansions, and shifts in customer preferences; they can evaluate multiple scenarios in the modeling; and they can evaluate options for addressing gaps, including development, alternate work structures, alternative sourcing models, and the like. Most companies are looking to extend workforce planning in two additional ways:

- Incorporate the financial repercussions of the plan in terms of labor cost and revenue impact.
- Incorporate employee skills and competencies into the modeling framework.

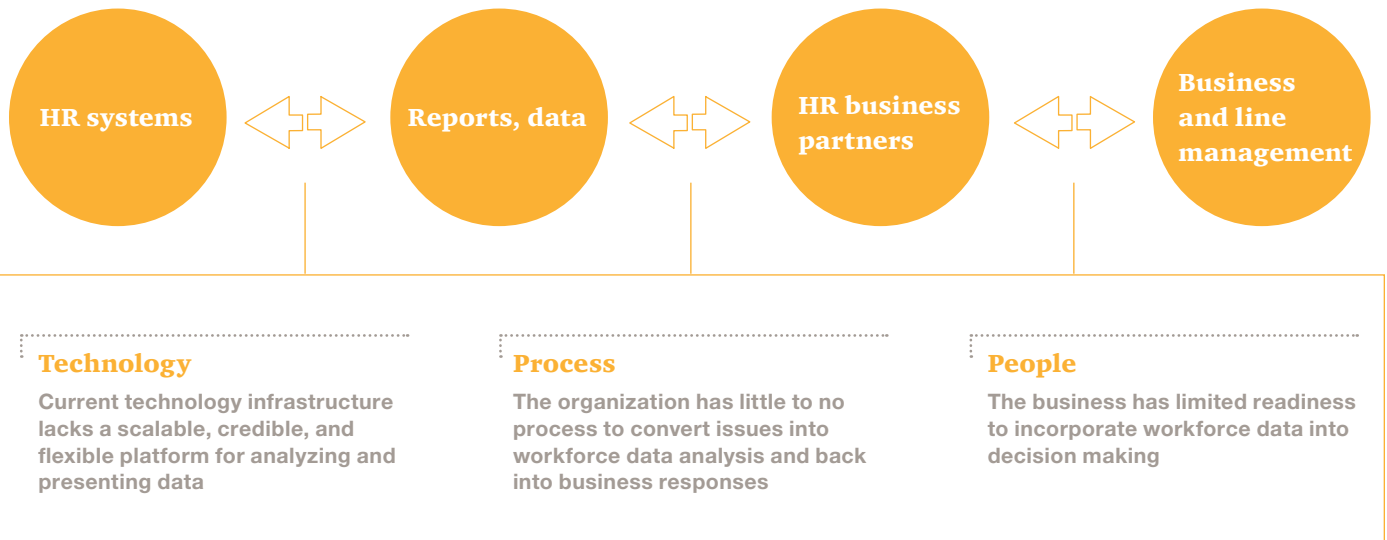
The combination of these deliverables enables workforce intelligence teams to address the gamut of information deliverables, yielding a deep set of current and historical facts and a set of appropriate statements about the future. The deliverables address needs for high-level decision making and for root-cause analysis with the tools that can address financial factors, mobility, talent, and more.

A full suite of workforce intelligence offerings represents a series of stepping stones to maturity. By taking these programs one at a time, companies can deliver value to the organization within achievable pieces and time frames.

If you build it, they might not come

More than a few companies have invested significantly and built impressive workforce analytic capabilities only to fall short of the ultimate mark: sustainability. To promote long-term workforce intelligence success, the company also should factor in the need to develop a communications, roll-out, and change strategy that can lay the foundation for long-term assimilation.

An information 'supply chain' needs to be built to support workforce measurement



You can't measure what you can't see. Without an information supply chain, the technology, process, and people functions related to workforce measurement are not sustainable.

Guiding principles

As you move through the process, remember:

- Your stakeholders don't necessarily know what they want; it's up to you to demonstrate the value, depth, and reach of workforce intelligence.
- Start small and deliver quick wins.
- Match the risk you're willing to take with the confidence that you understand the business and functional requirements.

Leadership

Determine if leadership is walking the workforce intelligence walk on a tight-rope. Ask:

- Can your SVP of HR sell this?
- Does your HR lead understand how to use the information with peers? How would the HR executive fare:
 - » In a 30-minute conversation with the senior leadership team about the current labor cost as a percentage of revenue?
 - » In a discussion of HR programs and strategies designed to improve this number over the next two to three years?

The answers are not always 'yes.' The significant groundswell of interest in predictive analytics might enable the head of HR to fund such efforts without really understanding them, a recipe for short-term funding and long-term faltering.

If the answers are 'no,' individual coaching should be considered mandatory, perhaps covering more than one session. Additional support and preparation for effective information use might also be necessary.

Design

Don't forget your other stakeholders. The people supporting the workforce intelligence program tend to be self-selected and highly analytical. We love numbers, often more so than words, and sometimes, even more than people. So when we design tools and roll out strategies, we tend to bring our analytical, number-loving mindset to the process. But teams should guard against getting too insular in their approaches. Your HR business partners, and perhaps their clients, are not necessarily quite as analytical. Remember to design for your stakeholders, many of whom will likely be non-analytical users.

Communication and change management

Communication and change management associated with workforce intelligence implementations mirror that of other change efforts. Matters of training, skills development, and messaging all apply here. Note, in particular, these employee development issues:

- The basic step of conducting an initial training session might not suffice.
- The amount and speed of training is often too little and too fast.
- Training for the non-analytical can be overly advanced and inadequately repeated.

Similarly, training should be multifaceted, covering items such as:

- What is this information?
- How do I use these tools?
- How do I interpret and consult on the results?

The proof is in the people—and now, you can show it

Workforce issues remain a fixture on executive agendas today. And for good reason. On the one hand, the workforce is almost singularly responsible for driving revenue and achieving growth objectives. On the other hand, it's one of the largest annual expense lines, representing more than one-quarter

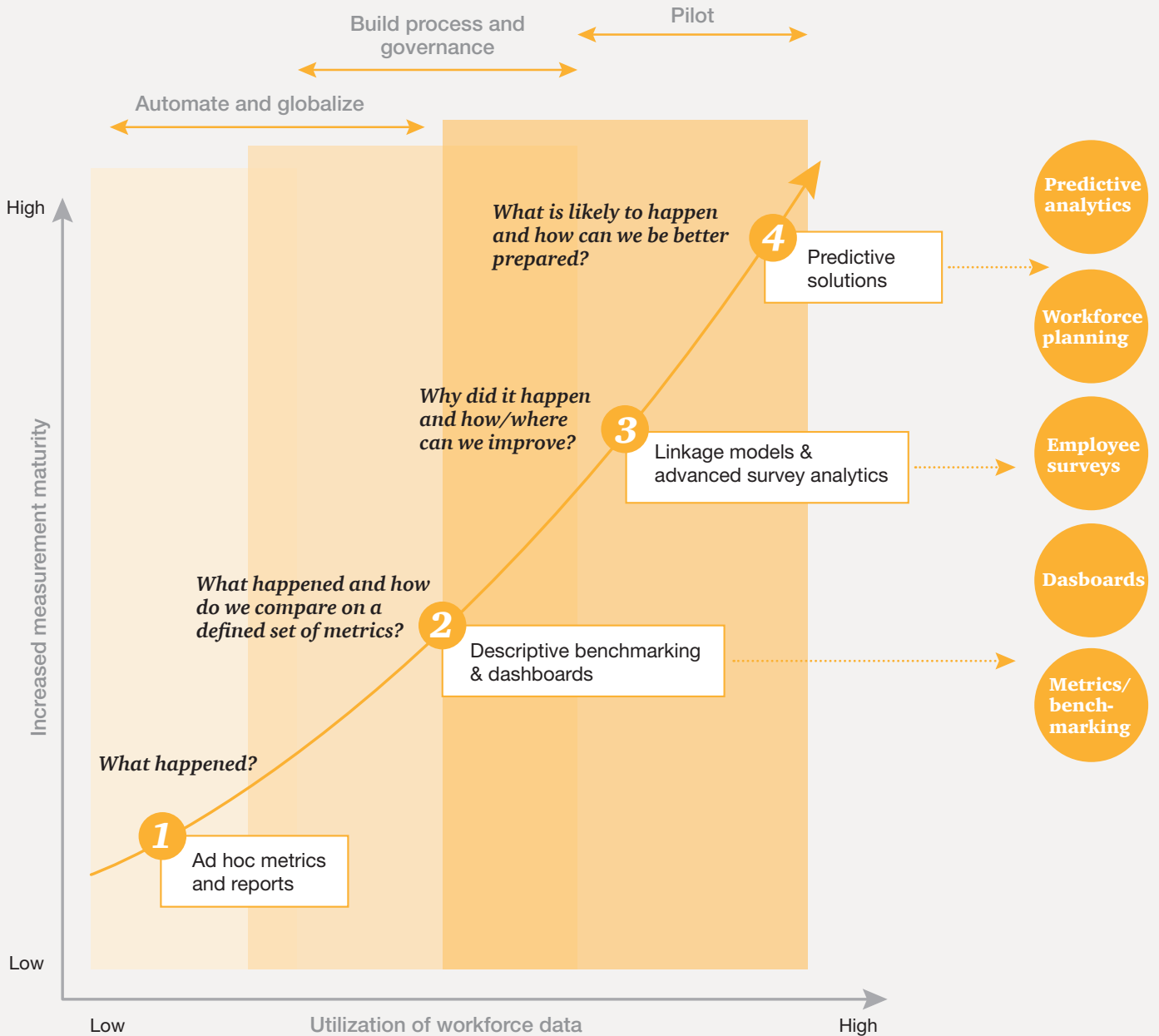
of all expenses for the average organization—and more than half of all expenses for many. Companies that can systematically determine how to stoke productivity and manage expenses hold a distinct competitive advantage.

With the right investments in workforce intelligence, companies can turn their data into a competitive asset. They can move from making good guesses about the programs and activities that will work for employees to building precision and evidence into their decision making. Workforce intelligence implementation can provide companies with the knowledge they need to finally put some teeth behind the phrase 'people are our most important asset.'

With the right investments in workforce intelligence, companies can turn their data into a competitive asset.



The workforce intelligence maturity curve*



*This illustration is referenced on pages 7 and 15.



HR's game-changer: Predictive analytics

By Ranjan Dutta

With HR organizations facing escalating demands from business partners and seeking ways to demonstrate strategic impact, they can take advantage of a growing field of HR predictive analytics.

Workforce analytics are changing along with the rest of the now-global business community. Today's sophisticated analysis transcends reporting past events or point-in-time measurement of current employee attitudes. HR professionals should tap these advanced statistical techniques to boost their strategic contribution and the power of their predictive metrics. Lagging and point-in-time metrics are still important, but HR can significantly upgrade reports and dashboards by infusing them with leading, predictive insights.

As HR organizations progress along an analytics maturity curve, the questions they ask about workforce analytics should also grow in sophistication. It's no longer enough to determine:

- How did these circumstances come about?
- How do we compare on a defined set of metrics?

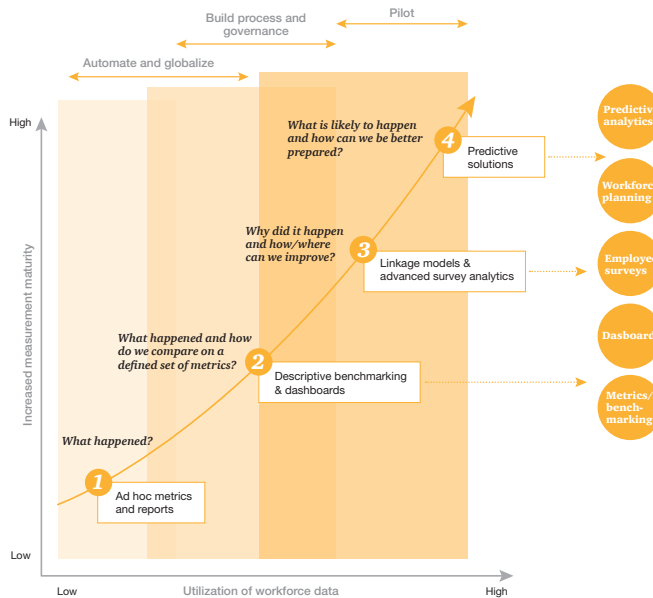
Business leaders today need to ask and answer:

- Why did it happen and how can we improve?
- What is likely to happen?
- How can we be better prepared?

The higher you can advance on the maturity curve, the better able your organization will be to tap value from workforce data. Done correctly, your capability to predict crucial workforce trends, events, and tendencies can improve exponentially.

The workforce intelligence maturity curve

(See larger illustration on page 13)



Most HR organizations have yet to reach the highest-impact maturity level from which they can build, deploy, and maintain predictive solutions seamlessly or build predictive indicators into their reporting dashboards. In fact, only 12% of the 383 US organizations we recently surveyed have attained level 3 or higher, according to a recent PwC Saratoga study.

Where did the majority of participants place their maturity level?

- 41% identified themselves between level 2 and level 3
- 35% between levels 1 and 2

Note that the maturity curve is not a reflection of technological prowess. In other words, you can't buy your way in by investing in flashier technology.

The questions, "What happened and how do we compare on a defined set of metrics?" fall under reporting and benchmarking—something HR organizations have been traditionally tasked to execute upon.

To get to the more telling questions and answers, organizations now have a variety of technical solutions to help HR efficiently:

- Report on past events
- Create dynamic dashboards for business consumption
- Enable multi-dimensional slicing and dicing of transactional data

The basic reporting capabilities that predominate in the current HR landscape will not be sufficient to propel

The path to the highest maturity level, where predictive solutions are part of your organizational workflow, involves considerable investment beyond technology.

the entity up the maturity curve. An elevated ability to report on past results through more sophisticated business intelligence/analytics applications doesn't render the HR analytics function more matured; it can make the organization more efficient at level 2, but it won't take the entity to the next level.

The path to the highest maturity level, where predictive solutions are part of your organizational workflow, involves considerable investment beyond technology, extending to the skill sets you hire for, the processes you build, and the technology and tools that enable those people and processes.

Making the most of HR data: Building predictive solutions

Predictive analytics, as defined by PwC Saratoga, refers to a set of processes, tools, and methodologies that enable organizations to analyze large sets of data to forecast future events. The objective: Make the best use of historical data, both public and private, to arrive at better business decisions.

Valuable historic data already exists on HR information systems, but most organizations fail to make the most of the employee data they could mine. With business partners challenging HR leaders to feed corporate growth by mobilizing and managing talent,

organizations increasingly look to harness the power of predictive analytics to gain insight and flag indicators that can help them effectively tackle their global talent management issues.

Predictive analytics within HR can open a window into the future by helping the HR function mine historic data from systems and surveys and answer questions such as:

- Which of our employees are most susceptible to attrition risks in the next six to 18 months? What factors drive employees to quit our organization?
- Can we reduce hiring risks by predicting the quality of new hires by source, role, profile, or past experience? Which experienced hires are most likely to succeed in our environment?
- How can we predict long- and short-term workforce demand by combining current employee data, business growth plans, industry benchmarks, and macroeconomic trends?
- How can we predict employee performance? How does predicted performance differ by roles and business units?

Predictive analytics can boost the organization's ability to predict employee behaviors, elevating HR's profile within the enterprise in the process. By applying predictive analytics to achieve organizational goals—cutting turnover in pivotal roles, enhancing new-hire retention—HR can up its game as a strategic business partner.

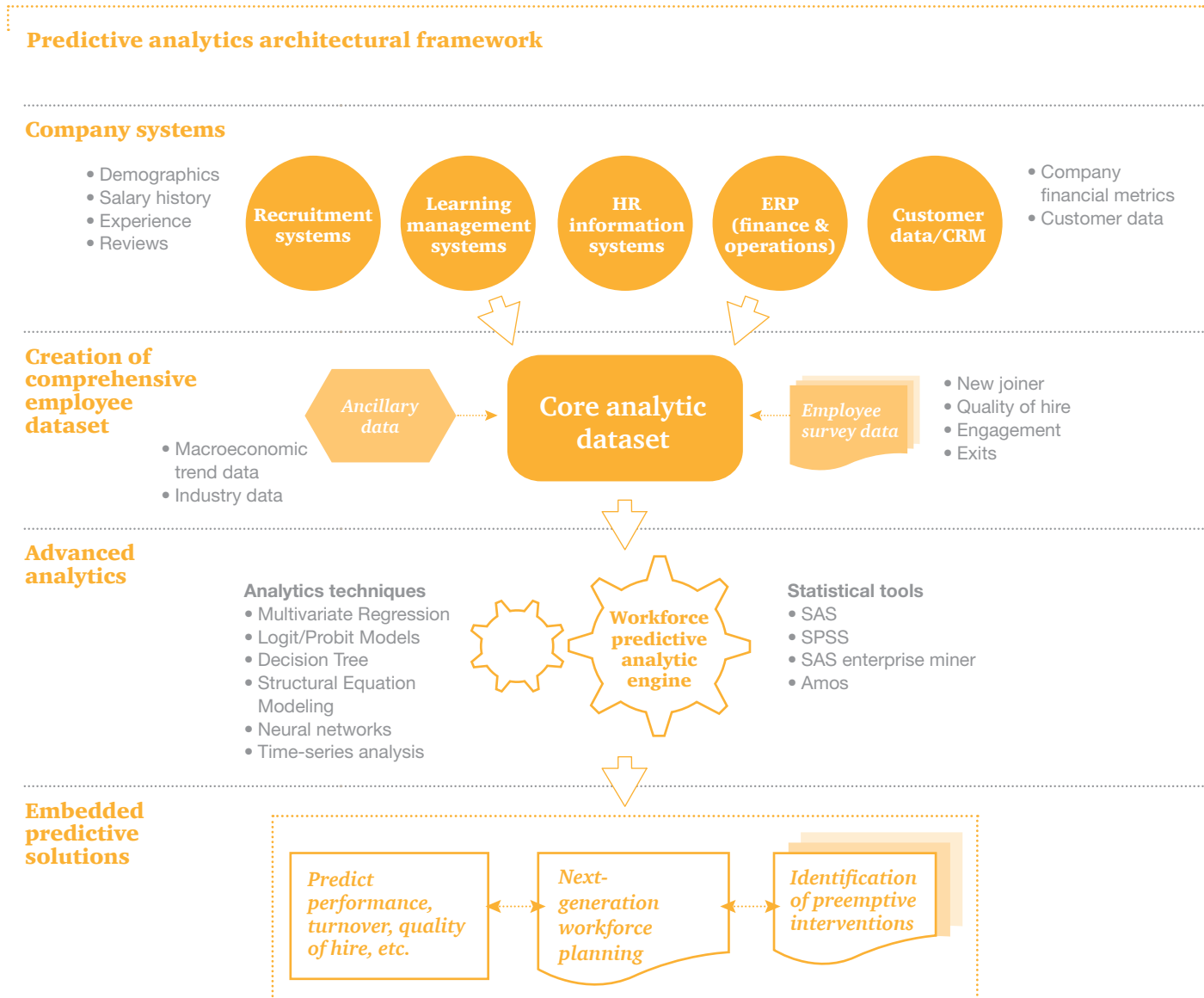
To take advantage of this opportunity, organizations should access public and private data, a task that might not be as simple as it sounds, requiring as it does that data be assimilated across disparate sources. Thorough solution architecture requires that outputs

be designed for reuse. This can be achieved by performing these steps:

1. Systematically collecting relevant data from various sources
2. Assimilating data points within a core analytic dataset

3. Analyzing data using a variety of statistical techniques
4. Deploying models using a framework that allows for ongoing refresh

Our predictive analytics architectural framework is shown here:



Note that predictive solutions are iterative by nature; organizations should ideally view these solutions through a multi-year lens.



Creating a sustainable foundation

The X-ray view of your workforce that HR predictive solutions can deliver is more powerful than data collected through traditional means, such as employee-wide engagement surveys. Predictive solutions data can inform broad program-level changes, for example, the implementation of a special recognition program to address attrition risk. The information such as ‘predicted voluntary separation rates’ also can aid in workforce planning initiatives and be included in executive dashboards.

To incorporate predictive solutions into the talent management workflow, organizations should cultivate their ability to develop these solutions and establish foundations for data interpretation, communication, and continued use. Once the foundation is established, the entity can quickly build additional customized solutions using the same structure and workflow model.

Naturally, the goal of embedding predictive solutions into talent management workflows will fall flat absent senior leadership support. Predictive analytics represent a paradigm shift in how HR data can influence pivotal people-management decisions in critical HR areas such as selection, retention, and performance. Senior leaders can unleash this potential by positioning themselves as idea champions and enforcers.

Of course, it also helps if the organization applies predictive analytics as an integral part of its overall business strategy; the

HR effort will then mirror the greater entity in embracing this approach. For example, most pioneering HR organizations we have worked with in this area belong to sectors that have traditionally used sophisticated analytic techniques to build products and services or manage their interactions with customers: financial services, insurance, professional services, and technology.

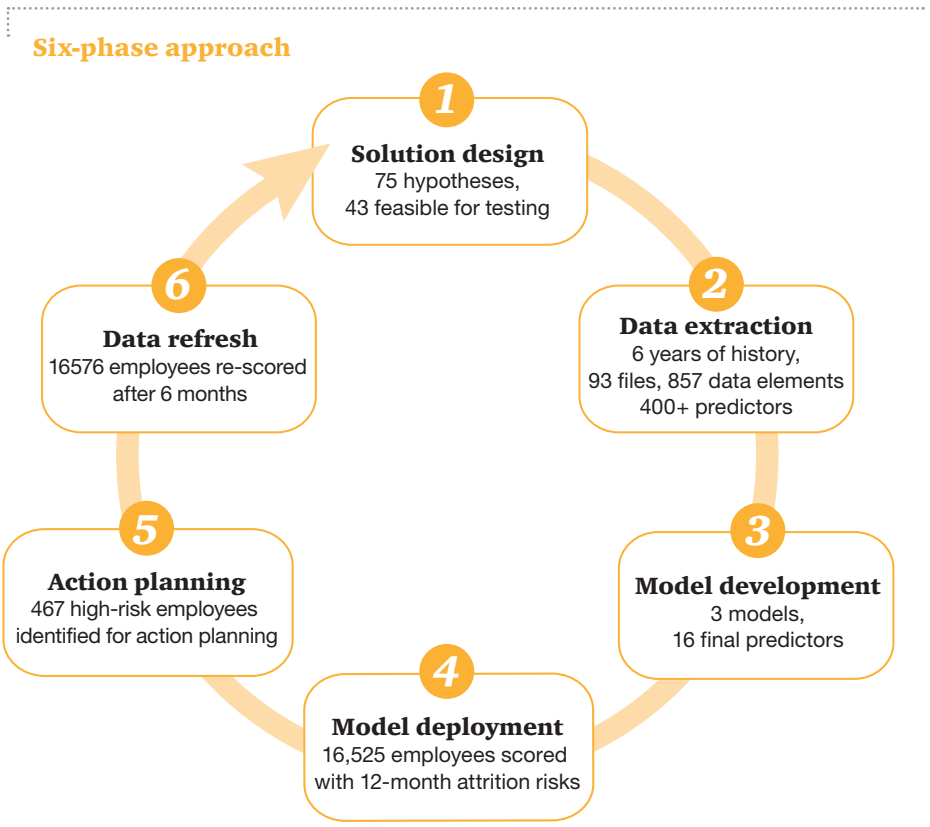
The ability to build sustainable predictive analytic capability also depends on the availability of analytic skills and, to a lesser extent, technology platforms. Technology platforms such as data warehouses or BI tools can be useful enablers. They can certainly add value by easing the process of extracting data from disparate systems. But that alone won’t lift the organization to the high level of sophistication that can bring about real change.

In contrast, access to analytic skills is a must-have. Irrespective of whether technology enablers are present, organizations still need statistically skilled resources to build, deploy, and interpret predictive solutions; hiring profiles of HR functions need to change to address this requirement. Three kinds of employees can help you build a sustainable workforce analytics capability:

- People with data manipulation skills
- People with advanced statistical modeling skills
- People who can interpret and effectively communicate ‘data-heavy’ results to business partners

Predicting and mitigating attrition risks: Predictive solutions in action

Businesses can achieve significant cost savings if they can identify attrition-risk candidates and take preemptive steps to prevent unwanted departures. One large US-based global services organization with some 16,000 employees, recognizing the implications, wanted to predict the likelihood of attrition risks for current employees. When the company turned to us for help, we started by analyzing profiles of employees who had stayed or quit the firm in the past six years, and built a statistical model to forecast likely attrition risks.



Every voluntary departure costs approximately one-and-a-half times the employee’s annual pay, with an even higher multiplier for high-potential employees or succession pipeline candidates.

In fact, in this case, lowering the voluntary separation rate by one percentage point from 13% to 12% roughly translated to annual savings of \$20 to \$25 million.

The value of predictive attrition-risk solutions becomes clear when organizations act on the data that's been mined.

The six-month review also showed that more than 75% of the departing employees had been marked as high-risk profile by the predictive model.

Our six-phase approach is outlined here:

In the solution design phase, we identified 75 hypotheses as likely causes for the attrition risk; of those, we selected the 43 likely causes for which historic data was available. During the data extraction phase, we accumulated six years of data (from 2005 to 2011) in the form of 93 files and 857 data elements to compile one analytic dataset.

We developed three multivariate logistic regression models to isolate 16 variables that were found to be statistically significant predictors of attrition risk. In the deployment phase, around 16,000 current employees were scored for attrition risk probabilities using the statistical coefficients derived in the previous phase.

HR executives then reviewed the list and identified 467 high-risk employees for preemptive action planning. It's important to note that the action planning steps were appropriately interwoven with existing HR programs. After six months, all employees were rescored to flag changes, at which point 175 employees were removed from the high-risk list and 47 were added.

Mining for high-value talent

The value of predictive attrition-risk solutions becomes clear when organizations act on the data that's been mined (steps 5 and 6 in the graphic) at a program or an employee level.

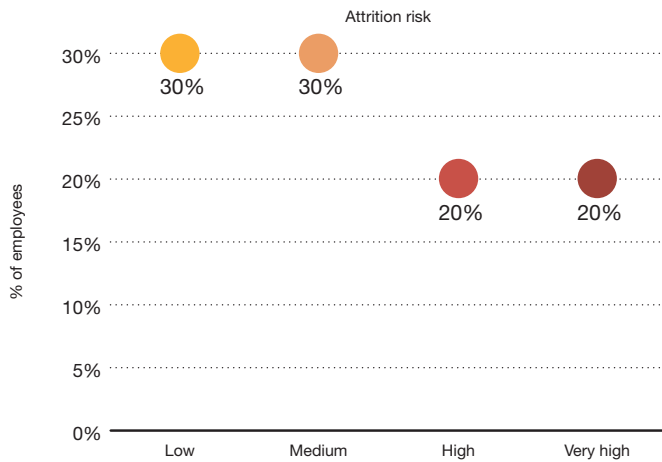
Consider the case of a succession pipeline candidate who was deeply valued for his potential as a leader:

- His productivity began to deteriorate slightly while his relative pay and bonus in the past two years dropped compared to his peers.
- His family had expanded and he recently bought a house in the suburbs, doubling his commute time.
- Latest engagement survey score for the team he belongs to was less enthusiastic than had been the traditional feedback from that team.
- His skills and capabilities are highly valued in the market, not just within his industry, but also externally, especially in his geographic market.

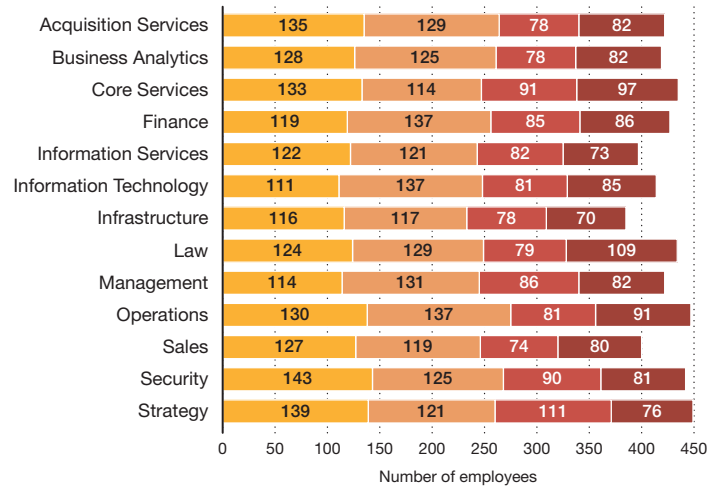
Our study slotted him in the high-risk profile. None of these factors alone pushed the succession pipeline candidate over the risk threshold. But the complex combination of factors clearly identified him as an attrition-risk candidate. If the organization had failed to act, he would likely move on—and out.

Predictive dashboard

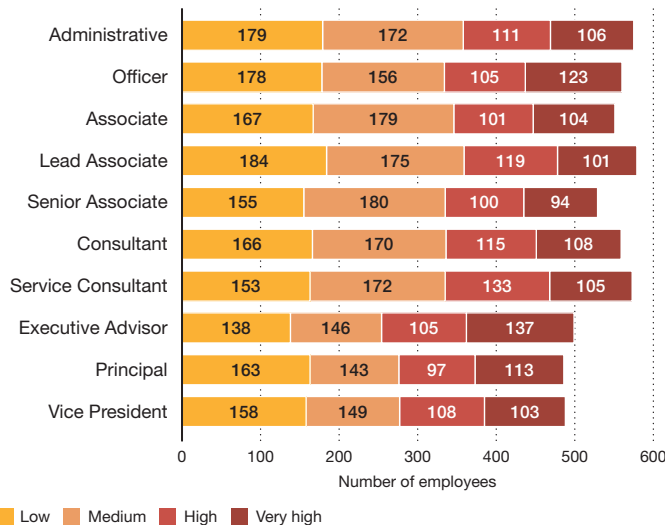
Percentage of employees by attrition risk categories



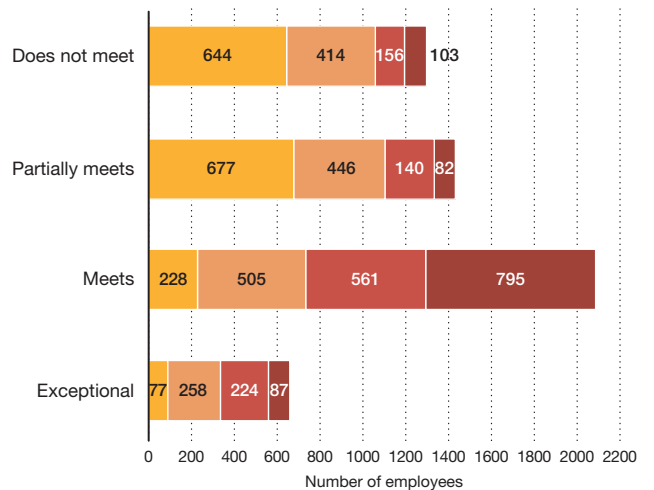
Risk of attrition by department



Risk of attrition by job title



Risk of attrition by performance rating



Strategic solutions for strategic roles

Predictive solutions can amp up the organization's ability to understand the talent that powers the entity toward achieving its strategic goals. Knowing where the workforce is likely heading can help you see where the organization is likely heading. If talent is poised to

walk away from you, not work for you, a heads-up can inform strategic intervention to protect the entity's sustainability and position in the marketplace. By understanding and embracing this potential, HR can proactively enhance its effectiveness, gain greater sophistication, and grow its contribution as a strategic business partner.



Shared services grows up: Why the time might be right to put Next-Generation SSC to work

By Srinivasa Gabu and Diane Youden

Amid today's rapid growth and global change, HR leaders continue their bid to balance efficient service delivery with the need to meet organizational growth and change with agility and scalability. The hunt for service delivery models that can help HR leaders provide effective services without breaking the bank led many organizations down the shared services center (SSC) path in the past decade. Experiences and results have been mixed. But the challenges that impeded successful implementation can be viewed not as a death knell for shared services, but rather as teachable moments that can illuminate the way to revise what's broken and refine what works.

A new breed of SSC organization, processes, talent, branding, and planning suggests that businesses can move beyond the nascent days of shared services, when much was unknown, untested, and unmeasured. Today's delivery models have evolved, along with most everything else in the global game of commerce. Read on for insight into Next-Generation SSC potential and its more sophisticated look.

What does the future shared services model look like?

First-generation HR shared services tended to shift obvious HR administrative activities such as payroll, benefits, and employee data management to global low-cost service centers, deriving cost savings from labor arbitrage. But the emphasis on cost savings and consolidation diverted attention from critical services, including process, organization, technology, and talent. And, when businesses transferred cumbersome or hard-to-manage processes to SSCs, the centers inherited them in disparate bits and pieces, often amid unclear handoffs and poorly defined responsibilities—far from a common process on a single platform in a centralized location. Then, when businesses that still indulged in duplicitous processes failed to achieve efficiency and effectiveness, many HR generalists placed the blame on SSCs.

A Next-Generation shared services approach, with an emphasis on finding ways to achieve the desired end state, is emerging. Successful implementation demands the discipline to orchestrate the right proportion of strategy, organization, people, processes, and technology, informed by what's happening in the external environment with respect to technological advancements, talent availability, and the like. Smart businesses don't shoot for simultaneous implementation across these components; they evaluate and determine how they should be blended and balanced to deliver the desired return.

-
- **Strategy** > Predictable service delivery with a primary focus on customer, enterprise-wide services, and operational effectiveness
 - **Organization** > Aligned with the global business organizations and balanced with a regional model to enable appropriate local execution and decisions; fully defined services measured with definite service level agreements
 - **People** > Structured career paths, supported by ongoing training and development
 - **Processes** > Global end-to-end process-based standards and ownership; process automation and optimization as appropriate, with active process monitoring and controlling
 - **Technology** > Simplified technology landscape based on a core set of standard ERPs on optimized delivery models such as software-as-a-service (SaaS) and cloud-based delivery

Customer	Channel			Services	Processes	Technology	People	Infrastructure			
Customers	Self-service	Help desk	Specialist center	Workforce Administration (WFA)	New hires/ terms	ERP on neo delivery models	Quality resources	Build people, process, organization and technology			
					WFA changes						
				Benefits	Health & welfare				Knowledge management tools	Develop resource and knowledgebase	
					Retirement						
				Payroll and time & labor	Time reporting & payroll processing				Case management		Align behavior
					Payroll accounting						
Governance and risk management											
Change, communication and training											
Performance reporting/continuous reporting											
Customer feedback and continuous loop											

Next-Generation SSC building blocks

These fundamental approaches that can help your organization unlock the potential of this model:

Strategy: Build understanding of how each group can contribute to success by developing a clear, documented strategy that’s integrated with leadership vision and cascaded throughout the organization. Combine service center sourcing strategies (outsourcing,

off- and near-shoring, and other third-party investments). The scope of services should take into account end-to-end processes across multiple functions, with services reviewed in regular intervals and the strategic vision never far from view.

Organization: Next-Generation service delivery aims to contribute value to the entire organization. These more sophisticated SSCs, which run as profit centers using market pricing as a basis

for allocations, are deeply integrated into the business. A dedicated business partner (BP) relationship role forms a collaborative, strategic single point of contact between the business and the service center; the governance structure is also globally integrated, with clear escalation and decision points and thorough service level agreements (SLAs). The structure should be reviewed regularly against global laws and regulations, the legal entity structure reviewed routinely and rationalized as needed.

People: Next-Generation SSC workers tend to start out with a skill aligned directly to the business need, providing support to execute administrative activities. As the center matures, new talent can be sourced and existing staff can be developed to build analytical, managerial, and negotiation skills, and to confirm adequate performance against SLAs, statements of work, and expectations for the BP role and provider relationships. Continuous improvement opportunities should be identified and managed on an ongoing basis. Human resources should be recruited at the right time and brought into the organization efficiently, with retention goals incorporated into management performance metrics. Performance is measured against well-defined goals aligned to organizational goals. Ample training opportunities further performance goals and move individuals along chosen career paths into the organization as a whole.

Processes: These should be mature and documented in a uniform format that's centrally stored and easily accessible; steps should be taken to confirm that standards are adhered to. Leading practices should apply globally and metrics should be used across the organization. Standardized dashboards should feed into performance management, and, where appropriate, metrics should be communicated enterprise-wide to show how groups perform against stated targets. A continuous improvement mindset should prevail.

Technology: A well-defined, efficient enterprise architecture should align with management goals. Integrated technology should have a single data

source and inform not only performance metrics, but also business intelligence. ERP platforms should be fully integrated and standardized; financial data and operational data should be used together for analysis. Data, too, should be governed globally, with data flows defined, documented, and optimized.

Might Next-Generation SSC usher in an age of opportunity for you?

Organizational leadership can use these questions to gauge the entity's readiness to embark on an SSC strategy:

1. *Is this the right time for us to start?*
2. *Where will the savings come from?*
3. *What other benefits can we gain from shared services?*
4. *What processes should we consolidate into shared services?*
5. *Do we have the right process maturity?*
6. *Is our organization ready for this change?*
7. *Do our people have the skills they need to adopt the new delivery model?*
8. *How will technology affect the initiative?*
9. *How can we manage the change?*
10. *Should we build or buy the shared services capability?*



Keep reading to gain a greater understanding of how your organization can test and tap Next-Generation SSC potential.

Generation SSC leading practices

Align the organization to the delivery model. Consolidation and growth have led businesses to organize support functions on an as-needed basis. Fueled by sporadic organizational sprouting of support functions, HR organizations mushroomed into business units to support business needs. For example, one major consumer packaged goods company has expanded over the years into four distinct product lines and multiple business units. Much of this growth was inorganic via acquisition. Our assessment of its HR service delivery pointed up the need for the business to have one enterprise-wide HR team responsible for supporting the various products and business units, an alien concept in the company's culture, which had become acclimated to a customized HR service delivery model.

Start with HR shared services. We've seen significant success among entities that focus first on the shared services organization as the key component

We've seen significant success among entities that focus first on the shared services organization as the key component in the conceptual delivery model.

in the conceptual delivery model. In this approach, businesses commit to consolidating transactional activities from delivery and service centers, thereby freeing HR resources to mind strategy, policy, governance, and laying the groundwork for building centers of excellence. The approach also facilitates continuous improvement of harmonized processes delivered out of a shared service center with a heightened degree of standardization, while allowing sufficient flexibility to customize at the local levels. This keeps the HR headcount at par with leading practices and positions HR to develop business partners that can focus on providing business leader support.

Focus on processes. Many entities struggle to achieve consensus about the right time to embark on a transformative HR initiative. One service organization consistently battled with the question: Is the process ready? The culture seemed to strongly believe that the business processes were immature, and that hence, it was not a good idea to move to a shared service center. But the entity lacked a road map to harmonize processes. And it remained unclear whether the processes would be ready for an SSC transition. In such cases, we suggest a hybrid approach in which the processes are transformed just enough to enable consolidation, even if the current state doesn't lend itself to overall SSC.

Harmonize for consolidated delivery. A lack of business process maturity is common in businesses that have disparate processes by business unit or location, often a direct function of the

organization's efforts to cater to local business needs or the result of inorganic growth and incoming businesses that persist with legacy processes. Still, it's possible to adjust disparate processes prior to sending them to shared services. Organizational discipline to harmonize processes in stages rather than trying to complete process transformation first is crucial to success in transitioning or maturing to a Next-Generation SSC.

Look beyond labor arbitrage. The central theme for most cost savings tends to be labor arbitrage. This requires the development of service capability in a low-cost labor location/facility and the discontinuation of the service at higher-cost locations. While it's easy to find full headcounts in low-cost locations, it's hard to displace full-time employees in high-cost locations. Most often, HR functions are delivered by indirect labor whose primary job is administration or line management; losing these employees will negatively impact the business. Today's shared services paradigm takes a significant shift from traditional thinking to enable organizations to assess a common process that can be delivered to all business units from an SSC, and then determine exceptions to account for local needs. The retained set of activities can then be assessed to determine the level of support needed from business partners.

Set your sights on sites. It's okay to depart from the traditional notion that shared services should be centralized in one or a few low-cost locations. By design, these services have to adopt a business

unit focus where the services remain as close to the employees as needed. Think of time zones for responsiveness, language alignment for cultural fit, and localization of activities that align with the regulatory environment and the business. In one conceptual model, the most sensible approach called for regional shared services in various countries linked to a more broadly focused central shared services function.

Broaden the scope of shared services processes. In recent years, HR technologies have evolved to better facilitate the consolidated delivery of HR services. More and more processes like recruitment, learning, compensation, and performance are being delivered with a canned approach that can be configured and harmonized to meet local needs. Moreover, these processes are now being delivered with a service delivery mindset, where a good balance of self-service and streamlined delivery is maintained. All these changes in the external environment allow organizations to expand the scope of HR processes that can be delivered out of shared services and thereby arrive at a stronger business case.

Break barriers with ERP. The use of technology as a differentiator will drive change to improve business through cost reduction, efficiency, and improved operating models. In the past, ERPs have provided a framework through which businesses could develop custom solutions. However, the gradual maturity of ERP products and a desire for flexibility have caused organizations to lean toward developing their

own ERP solutions. HR vendors today appear to recognize the importance of HR service delivery and its impact on cost. Businesses can save a great deal by eliminating substantial license fees and the expense of additional maintenance for onsite ERP. At the same time, the organization can use self-service to extend transactions and reduce HR staffing needs, resulting in higher service volume and considerable savings—a 25% to 40% reduction in overall HR expenses.

Boost viability with virtualization. HR services delivery also demands strong support systems. Emerging technology such as social media can foster innovation and promote best practices among regionally based and geographically dispersed HR shared services centers across a global organization. SSCs can provide a sound alternative to the need for proximity, which is a common process-readiness criterion in the assessment phase. Some processes truly must be close to the business. But others, given the availability of appropriate tools, can be executed remotely.

Measure performance and improve continuously. Measuring HR service effectiveness can also be a challenge for many entities. About 50% of organizations measure HR services effectiveness, with nearly all of them measuring a percentage of total transactions, time, or accuracy. While these metrics measure effectiveness to some degree, they fail to address the crucial customer satisfaction component. These omissions can easily dilute the savings projected in the business case.

Measure customer satisfaction.

Businesses should strive to reflect customer service in addition to conventional metrics. For example, if a recruiting manager rates service as unsatisfactory, the SSC would need to implement an improvement initiative, even if the traditional metrics are met. Remember, HR needs to be focused on the business—it's not 'HR' for 'HR.'

Identify the true cost of HR service delivery. Most conventional methods for measuring effectiveness look only at the direct costs associated with establishing HR service delivery, including the cost of HR generalists and other HR personnel. But business leaders and other resources often expend significant energy on HR service delivery. Many outsourcing or service delivery initiatives measure cost avoidance by HR headcount reduction, failing to capture the hidden costs incurred when work is transferred to business partners or line managers. Businesses should take a careful look at the total cost of ownership. Many HR specialists recommend using a common standard for measuring HR costs. Such consistency in cost measurement promotes accuracy by allowing for the comparison of costs against benchmarks.

Establish a respected shared services brand. In early SSC efforts, the centers were often viewed as repositories for sets of transactional processors that delivered marginal work, a perception that organizations have found tough to upend. A recent PwC survey revealed that several critical factors in the employee lifecycle can set the tone

Appropriate branding can motivate top performers to take up a shared services career, but it won't necessarily keep them in the role absent a clearly defined career path.

for employee engagement, including hiring experience, pay, bonus, and leave—which tend to be supported by the kinds of administrative functions that are often considered for an SSC. Therefore, even minor flaws in execution can fuel employee criticism and undermine engagement. Organizations should recognize that administrative activities shouldn't be presumed to be low value add, and they should brand the centers accordingly, for example, as service centers of excellence.

Adopt a winning people strategy.

Appropriate branding can motivate top performers to take up a shared services career, but it won't necessarily keep them in the role absent a clearly defined career path. Although organizations previously lacked the foresight to align talent pools with the maturity stages of SSC initiatives, experience to date should enable them to link career profiles to the SSC maturity model. HR will face some difficult choices in balancing talent needs in the transition from the entity's current and future states. But some fundamental leading practices point the way forward. For example, career paths should align well with shared services multi-year maturity milestones, and learning programs should develop and cultivate pivotal talent for fresh, elevated careers.

Next-Generation SSC: The future is now

The search for efficiency, dexterity, and cost savings remains a perennial mission for the HR practice. Next-Generation shared services can address previous shortcomings, resulting in a capability that is scalable with business growth and that can produce a distinctive competitive advantage. SSC organization, processes, talent, branding, and planning should reflect that businesses have moved beyond the days when much was unknown, untested, and unmeasured.

Today's HR leaders can benefit from first-generation missteps. Cost pressures won't abate anytime soon. But the answers to challenging questions should be coming into clearer focus, bathed in the light of new technology, smarter metrics, and more sophisticated approaches—and enhanced by the nuanced distinction between targeting shared services and tacking toward sustainable excellence.



Focus on the fundamentals but reach for the Clouds

By Marney Edwards

It's been a tough couple of years for HR

Over the past five years, companies have been cutting headcount, costs, and capital expenditures. Some business leaders, failing to consider the long-term view on staff reductions, didn't stop at thinning the ranks of non-performing talent; they also cut some high-performing employees. Administrative functions, including HR, took significant hits, perhaps disproportionately so. Yet, project demand for HR capabilities to support talent, benefits, workforce planning, and other HR responsibilities continues to outweigh the supply of resources available to most CHROs.

Most HR organizations still aren't positioned as strategic partners to the business. In fact, we routinely find that more than 75% of HR work hours are spent on administrative and advisory transactions support.¹ It's a reality that many executives would like to see change. But CHROs face the daunting task of trying to boost focus on areas critical to the entity's success, given fewer employees and tighter budgets. PwC's sponsored research with HfS Research, Inc. stated, "The problem with creating a leaner, more efficient human resources organization is that today's business leadership needs something different."²

How can a CHRO transform an organization that focuses a majority of its time on administrative tasks to one that's viewed as a trusted advisor to the business?

Focus on the fundamentals

Fourteen years ago, I decided that I was going to ask the woman that I loved to marry me. Having no ideas how to buy a diamond I asked my father. He said, "Son, you need to focus on the fundamentals, in this case the four C's: cut, clarity, color, and carat." I never forgot that. ...For business, it can be just as fundamental.

The fundamentals of running an HR organization come down to three things: people, process, and technology. The right people in the right jobs. The right processes in place. Then, finally,

the right technology to enable the vision of what HR can be to the organization. To achieve the desired results, truly make change stick, and make your organization effective, you can't do one without the others.

A number of years ago, I had the opportunity to watch an HR organization attempt an HR transformation, although it had not considered how people, process, and technology fit together. The organization's downfall was that it tried to use the technology that was in place, an outdated version of an on-site human capital management (HCM) application. The organization did two out of three things right: people and process. However, the transformation failed because it didn't include the right technology.

Three years later, a new CHRO tried and succeeded. She understood that to be successful, you must focus on the fundamentals and bring the parts together to create a greater whole. Rather than starting from scratch, the CHRO took advantage of the people and processes work the organization had done in the failed transformation. She then added the magic ingredient previously missing from the mix—technology—and aligned with the CIO to subscribe to an updated HCM Cloud technology, thereby adding the final critical piece to the now-greater whole, and delivering a triumphant transformation.

1 PwC Saratoga HR Activity Analysis

2 HfS Research, "Human Resources Transformation: Is it Driving Business performance?", May 2012

The right technology can help an HR organization become more effective. Cloud-based HCM technology provides unprecedented perspective on the organization, yielding real-time data that can greatly enhance the decision-making process.

Technology and process

As the speed of change continues to accelerate into shorter and shorter intervals, organizational changes, acquisitions, spin-offs, expansions, and contractions demand faster, more effective people processes. With companies sitting on record amounts of cash and CEOs hungry to increase shareholder value, mergers and acquisitions will likely continue to increase over the coming years. However, history suggests that nearly half of these mergers will fall short of achieving their targeted cost synergies.

Technology and people

The right technology can help an HR organization become more effective. Cloud-based HCM technology provides unprecedented perspective on the organization, yielding real-time data that can greatly enhance the decision-making process. As of today:

- Can you pull up a global directory of all employees in your organization?
- Can you search for high performers with distinctive skills sets?
- Do you know how many employees are high performers?
- Do you know how many contractors you have globally?

People account for more than 70% of most companies' spend;³ yet, it could be argued that in light of all the money that companies have spent on supply chain and financial applications over the last 10 years, comparatively little has been invested in their HCM systems.

The bottom line? Most core HR processes are neither unique nor a competitive differentiator for the company. What is a competitive differentiator? Providing managers and executives with real-time visibility into their data and employees, and empowering them to act on it.

Efficient people processes and new HCM technology can help CHROs build a flexible and scalable organization. Use of a common global HR system enables a company to rapidly standardize job levels, assess talent, and identify redundant positions. HCM Cloud applications enable you to memorialize and automate your core HR processes based upon a global standardized definition. Some HCM Cloud applications such as Workday and SuccessFactors come preconfigured with a number of core HR processes. These are designed to enable HR to expeditiously implement preconfigured leading practices, which in turn allows companies to automate the more administrative and contextual tasks thereby freeing up time to focus on strategic work, adding value, and quickening the pace of decision making and scaling. Think about how much time is spent in wasted efforts over manual HR processes, contractor costs, and employee-related actions such as transfers, moves, hires, terminations, and promotions. Not only are these processes often inefficient, but they may not establish the right "brand" for the company around the employee experience.

Although employee-related actions are similar throughout the United States and around the world, some sub-processes

³ 2006 SHRM survey of over 700 organizations including many Fortune 500™ companies and corroborated by a similar study at the Brookings Institute

should be configured based on local regulatory laws, such as a works council in Europe. These laws are subject to change, so when implementing the new technology, it's important to confirm that a system implementer has an HR skill set for the in-scope countries. Configuration can be relatively simple, but getting it done correctly and legally can be more challenging. HR functional resources, once trained, can take over most process configuration changes after go-live, as well as integrations and reporting. "Don't blow through millions to standardize processes...the important investments should be strategic because they drive outcomes that align with the business."²

Bringing it all together: People, process, technology, and cost

Technology can reduce HR costs and provide employees with improved user experience and functionality. In addition, organizations looking to move to the Cloud often find that the cost benefits provide a solid business case. HCM Cloud applications can offer significant cost of ownership advantages over on-premise and even hosted applications while delivering state-of-the-art functionality. The easy arguments are evident in reduced capital structure, including the elimination of IT involvement, data centers, servers, development resources, disaster recovery, data security, and more.

That being said, it's worthwhile to make the case that the Cloud's global standardized people processes can also deliver enhanced user experience, collaboration, and productivity. These benefits should not be overlooked.

A critical cost component always discussed but only occasionally making the final budget is Change Management. An HCM Cloud solution extends across teams, departments,



Technology can reduce HR costs and provide employees with improved user experience and functionality. In addition, organizations looking to move to the Cloud often find that the cost benefits provide a solid business case.

organizations, regions, and business units; the change will have implications enterprise-wide for employees, managers, and executives. I have had the opportunity to watch two separate companies of similar size and scope roll out the same Cloud HCM solution. The first company chose to handle Change Management in house. Eighteen months later, HR is still receiving negative feedback regarding the switch to the new system. The second company chose to invest 15% of the overall project budget into Change Management. Conversely, the feedback from managers and employees has been extremely positive on the move to the Cloud. The managers and employees in the second company felt included in the process and the adoption cycle was dramatically reduced. CHROs should budget for an effective Change Management strategy, not only for the implementation, but also for the ongoing support of new functionality. Be aware that unlike on-premise software, for which significant technology change needs to be addressed every five to seven years, this approach yields smaller, yet potentially impactful changes every couple of months, a factor the CHRO should plan to support.

Businesses should accept Change Management as a core competency and not as a point in time. An organizational change strategy promotes continual improvement and makes the most of the organization's move to the Cloud. In the new Cloud era, Change Management will take its place alongside other traditional centers of excellence such as Talent, Rewards, and Learning and Development.

From focusing on fundamentals to channeling change leadership

HCM Cloud technology provides CHROs with a means to address the fundamentals. As on-premise HCM applications reach end of life and require expensive upgrades or re-implementations to gain much-needed functionality, an opportunity emerges for companies to rethink their strategies for enabling the business to manage its workforce for improved business results. HfS Research May 2012 states, "Nearly 62 percent of respondents felt that human resources departments need to serve a leadership role in managing skill and talent shortages. This is a vital role in the context of changing business strategies."

What HR executives cannot avoid: making the tough decisions when it comes to people. If you don't make changes to your organization, you can't expect your team to make changes either. CHROs should confirm that they have the right people and the right talent to make the paradigm shift from administrators to consultants and strategic partners. PwC's 15th annual CEO survey found that 66% of CEOs fear a talent shortage will constrain their company's growth. This talent shortage is limited not only to the business but to HR as well. CHROs should refocus their efforts not only winning new employees, but retaining those employees that will be most valuable to their organization.

The decision to go to the Cloud is multifaceted and may not be the right "next step" for a company. However, companies should conduct the evaluation to ensure they have made an informed decision. Implementing an HCM Cloud application and standardizing global people processes can provide CHROs the opportunity to lead and transform the organization as long as they don't lose sight of the fundamentals: people, process, and technology.



What HR executives cannot avoid:
making the tough decisions when it
comes to people.

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sport

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Scott Olsen

Principal

US Leader, Human Resource Services

(646) 471-0651

scott.n.olsen@us.pwc.com

Ed Boswell

Principal

US Leader, People and Change

(617) 530-7504

edwin.h.boswell@us.pwc.com

Peter Clarke

Principal

Global Leader, International Assignment Services

(203) 539-3826

peter.clarke@us.pwc.com

HR Innovation Contributors

Scott Pollak

(408) 817-7446

scott.pollak@us.pwc.com

Diane Youden

(214) 754-5150

diane.m.youden@us.pwc.com

Ranjan Dutta

(703) 918-3009

ranjan.dutta@us.pwc.com

Marney Edwards

(813) 222-6242

marney.edwards@us.pwc.com

Srinivasa Gabu

(214) 754-7316

srinivasa.gabu@us.pwc.com

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