

HR Unleashed:

Strategic People Management
for the 21st Century



A more human resource. SM

Think back a few business generations – to the 20th century. Yes, it was the age of Mad Men, but also the age of a slower, more predictable business cycle. The Human Resources (HR) function was simpler too, with fewer regulations, less complexity, and a reciprocal sense of loyalty between employer and employee that formed the professional journey.

Fast forward a few decades. The 21st century workplace would be unrecognizable to Don Draper and his colleagues in HR. Companies operate in a complex, changeable regulatory environment, with a five-generation, highly mobile, multi-career workforce that expects more from employment than a paycheck. It's a different, much more chaotic world. But there's a core truth in business that applies as much today as it did in the previous century, and the ones before. A business is only as good as its people. It's a company's workforce that drives business results – and employees must be viewed as engines of profit, instead of a cost centre.

The challenge from an HR standpoint is that 20th century tools and approaches don't work in the fast-changing, 21st century workplace. Strategic people management – where HR initiatives are directly tied to business goals – is critical. But there's a disconnect. According to the Conference Board of Canada, only 33% of Canadian organizations consider the HR function a full partner in developing and implementing business strategy. In fewer than half of companies (43%), HR provides input into business strategy and helps implement it once developed. Not surprisingly, only 22% of total HR time is spent on strategic business activities.¹

For most organizations, this 20th century approach simply won't cut it. HR leaders need to be working at the highest levels of the organization to apply the new standards that ensure the right skills and the right people are in place to support business success.

Three key standards emerge as critical to driving growth:

- 1. Building an employer brand that attracts and retains the best people.**
- 2. Leveraging workforce analytics for a competitive advantage.**
- 3. Strategically outsourcing some HR functions to create focus on the strategies that will engage employees, leverage talent, and manage through chaos and ambiguity.**

HR and the employer brand

In the same way that consumer brands compete for awareness, credibility, preference, and loyalty among buyers, so too must companies learn to compete for the best talent. As the enormous Baby Boomer generation leaves the workforce, taking with it key skills and experiences, the smaller cohorts that follow will shift the knowledge-based employment landscape from a buyers' to a sellers' market. Success and growth are the reward for those few companies that can build the strongest employer brand to drive competitive advantage with:

- access to top talent
- engaged, collaborative teams
- productive, motivated contributors.

75% of employees are not actively engaged in their work

The HR function owns the employer brand – and its underpinnings of culture, rewards and recognition, career opportunities, benefits, social responsibility, values, and leadership. A strong employer brand not only attracts the attention of talent before the recruiting process even begins, it has been shown to reduce the cost-per-hire by a factor of two.² And it can play a significant role in terms of employee engagement and, by extension, commitment – both of which are becoming rare commodities in the modern workplace.

Engagement matters. Organizations scoring in the top quartile for engagement are able to produce 22% greater profits than their bottom quartile counterparts.³ It's easy to say, but tougher to do. Research reveals that 75% of employees are not actively engaged in their work, creating productivity drains and increasing exposure to an increasingly competitive labour market.⁴ When employees were asked how their organization could improve engagement, the top three areas for improvement were all areas that require a strategic HR focus: career opportunities, employee recognition, and confidence in organizational leadership.⁵

Building a strong employer brand also leads to better employee retention, and can reduce turnover by as much as 28%

Building a strong employer brand also leads to better employee retention, and can reduce turnover by as much as 28%.⁶ As loyal, steadfast Baby Boomers and Generation Xers leave, and are replaced by peripatetic Millennials, turnover will be a significant labour cost in the knowledge economy.

According to Statistics Canada, about two-thirds of Baby Boomers entered their fifties in a long-term job (employment that had lasted 12 years or more). And most had worked for the same firm or organization for far longer – often 20 years or more.⁷ The difference with younger generations is startling. Generation Xers worked an average of 3.2 jobs in the first 12 years of their career. And worker retention becomes even more challenging with Gen Y (2002 grads), who held 3.9 jobs over their first 12 years in the workforce.⁸

The benefits that come from lower employee turnover are – on their own – enough to make employer brand building a worthy focus. In addition to the hard costs of replacing employees, there can be significant indirect costs, such as the learning curve of a replacement, the loss of productivity of the outgoing employee, and the loss of the organization's investment in that employee's knowledge and skills development. Organizations that support strategic HR initiatives to build a strong employer brand will out-perform competitors in the battle for key talent, and reap the ongoing rewards of a more engaged, committed, and productive workforce.

Leveraging workforce analytics

Less than half of Canadian employers have well-established formal systems and processes for collecting HR metrics

Another key way that 21st century HR practices can build a competitive advantage is through the use of workforce analytics. HR has long lagged behind other areas of the business in its ability to access and analyze strategic workforce data. Indeed, the price of entry for HR to participate in strategic business decisions is insightful data about recruiting, salaries, promotions, and even benefit programs. It can help organizations identify future gaps in skills, benchmark information against a peer group, or determine which employees or employee groups provide the organization with a competitive advantage. Canadian organizations generate anywhere from \$1.68 to \$6.32 of profit for every \$1 invested in wages and benefits⁹ – so insights into employee productivity can be particularly critical.¹⁰

The need for data will grow as HR departments become increasingly accountable for demonstrating the ROI on programs that build culture, leadership, engagement, and other elements of the employer brand. As competition for talent intensifies, companies that understand both their existing workforce and their long-term talent needs will find an advantage. However, the organizations that can layer in metadata around regional talent availability, workforce demographics, immigration, and skills training will carry the day.

Most HR leaders understand the competitive and operational advantages of good real-time data and the opportunities offered by predictive analytics, yet the adoption of analytic practices is not widespread. Less than half of Canadian employers (42%) have well-established formal systems and processes for collecting HR metrics and measurement data. And only one-quarter of organizations (27%) use metrics and analytics to link investments in HR to business outcomes.¹¹ Those that do make the link enjoy the significant competitive advantages that these insights provide.

Supercharge your HR

Despite the compelling need for HR teams to add strategic horsepower to the organization, many struggle to find the time and resources to do much more than keep the lights on. Leaders will acknowledge the opportunities that attend a strong employer brand and actionable insight, but in the same breath will point out that the administrative imperative is gobbling up time and resources. For organizations in Canada, 78% of HR time is spent on non-strategic, required functions, such as payroll, benefits administration, compliance management, record-keeping, developing systems and practices, auditing/controlling, and delivering HR services.¹²

78% of HR time is spent on non-strategic, required functions

While 20th century HR embraced the outsourcing of transactional tasks such as payroll, 21st century HR leaders will look also to external experts for highly specialized work such as managing regulatory compliance, employee onboarding, building reward and recognition programs, and managing data and reporting.

Outsourcing administration functions and highly specialized compliance expertise can also ensure those necessary tasks are done accurately. Compliance is critical in our highly regulated environment, and organizations need access to expertise to efficiently navigate the complexities of HR, payroll, and tax legislation. A recent study from the ADP Research InstituteSM found that while 81% of mid-sized employers are confident they are compliant with payroll tax laws and regulations, 33% incurred fines, penalties, or lawsuits related to non-compliance in the last year.¹³ Outsourcing highly specialized compliance functions is a standard that can ensure organizations are onside with the complex laws that govern them.

Best-in-class HR organizations will look for opportunities to consolidate outsourced tasks to the fewest vendors possible to keep costs and complexity under control. According to a 2011 PwC study, organizations outsourcing multiple HR functions to a single vendor reduce costs by 32% on average, versus organizations using multiple vendors or a “best of breed” in-house approach.¹⁴ That’s a significant savings that can be reinvested in strategic people-management initiatives.

High impact HR organizations deliver 38% lower turnover

This reinvented HR can pay huge dividends – and begin a positive, lasting organizational culture change that can significantly improve the way a company does business. HR Consulting firm Bersin by Deloitte identifies four stages of HR maturity within organizations, from compliance-driven HR services at the bottom, to “business-integrated HR” at the top. With a business-integrated HR model, the HR function is an integral component of business strategies and decisions.

This high-impact approach to HR requires a resourcing shift away from administrative functions toward higher-value activities, such as training and leadership development, recruiting, and the use of data and predictive analytics to make smarter HR and business decisions. In short, it means putting a people-management strategy into action.

The shift is well worth it. High-impact HR organizations deliver 38% lower turnover, 38% higher promotion rates and are more than twice as adaptive to market changes.¹⁵ Companies that don’t adopt a strategic approach to HR face a higher level of employee churn, a less engaged workforce, and lower growth prospects.

The 21st century solution

No business would use dial-up internet in today's broadband world. That's a 20th century solution to a 21st century need. And yet the HR function in many organizations is a generation behind, with too little time available for brand building and engagement, too little use of analytics to gain insights and advantage, and too much time spent on administrative and compliance tasks that can be easily outsourced.

The HR function in many organizations is a generation behind

By channeling more HR resources and expertise toward strategic programs, companies can build a sustainable workforce foundation to support short- and long-term growth.

With the right technology and a comprehensive service partner in place, organizations will have the tools to put this strategy into action. They'll know what their workforce of tomorrow needs to be – and with a great HR partner in their corner, they'll have the right strategy to build it. By streamlining, optimizing, and reimagining how to manage people, companies will be better equipped for the fiercely competitive and fast-evolving business and labour market – today and in the future.

About ADP Canada

We give companies of every size the tools to help their people thrive. From basic payroll and operations to complex talent management and analytics, we help their businesses succeed. What we deliver isn't just a better HR system; it's a better workforce.

ADP Workforce Now® Comprehensive Services is a turnkey solution that combines HR best practices, proven technology, and on-demand experts to enable organizations to drive growth and success. With ADP Workforce Now® Comprehensive Services, executive teams have the tools, insights, and support to build and inspire the workforce they need.

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