

TALENT OPTIMIZATION

Transforming HR and Human Capital Management for
Business Growth

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THE TALENT OPTIMIZATION

OBJECTIVE

It's been a number of years since the official end of the global recession, and organizations have emerged from preservation mode. The primary objectives of CEOs today include much more than managing costs. They involve customer satisfaction, quality, growth,

business performance. New technologies and computing capabilities are making it possible for organizations to better optimize talent. For example, organizations can use work force, customer, and business performance data to identify trends, predict challenges, and model the impact of different HCM interventions. Organizations can also use new technologies to capture and share employee knowledge and to enable employees to connect and

In August 2014, nonprofit research organization APQC and Cognizant—an IT, consulting, and business process outsourcing services provider—conducted a survey of HR professionals working at the manager level and above in organizations across the globe. HR professionals submitted responses to questions about their organization's human capital management (HCM) strategy, processes, and technology. Responses came from professionals working in organizations of various sizes and in a range of industries³.

and innovation¹. CEOs want to increase customer satisfaction by providing higher quality, more effective products and services. They are seeking to expand market share and share of wallet and to enter entirely new markets. They anticipate product and service innovations fueling market growth. And they are looking to data, in particular customer data, as a key driver of new ideas that they expect to come from anyone and anywhere².

To realize executives' organizational objectives, organizations are evolving their HR functions and human capital management (HCM) strategies. They are shifting focus from minimizing talent costs towards maximizing talent's potential. In other words, organizations and HR are working to optimize talent.

Talent optimization is when an organization strategically uses all of its human capital to improve its

share information and ideas with each other. Those organizations and HR functions that use these new capabilities to optimize talent are at a competitive advantage, by continually making more effective use of human capital to innovate, satisfy customers, and expand the business.

The responses of HR professionals participating in APQC and Cognizant's 2014 HR Strategy, Process, and Technology survey reflect an understanding of the link between talent optimization and the ability to realize present-day CEO-driven objectives. A majority of HR professionals indicated that talent optimization is their organization's top HCM objective. Specifically, two talent optimization goals—increasing employee engagement and increasing work force productivity—were cited by a majority of participants as 2014-2015 HCM performance objectives. Only about one-third of participants responded that HR cost reduction is

Human Capital Performance Objectives for 2014-2015

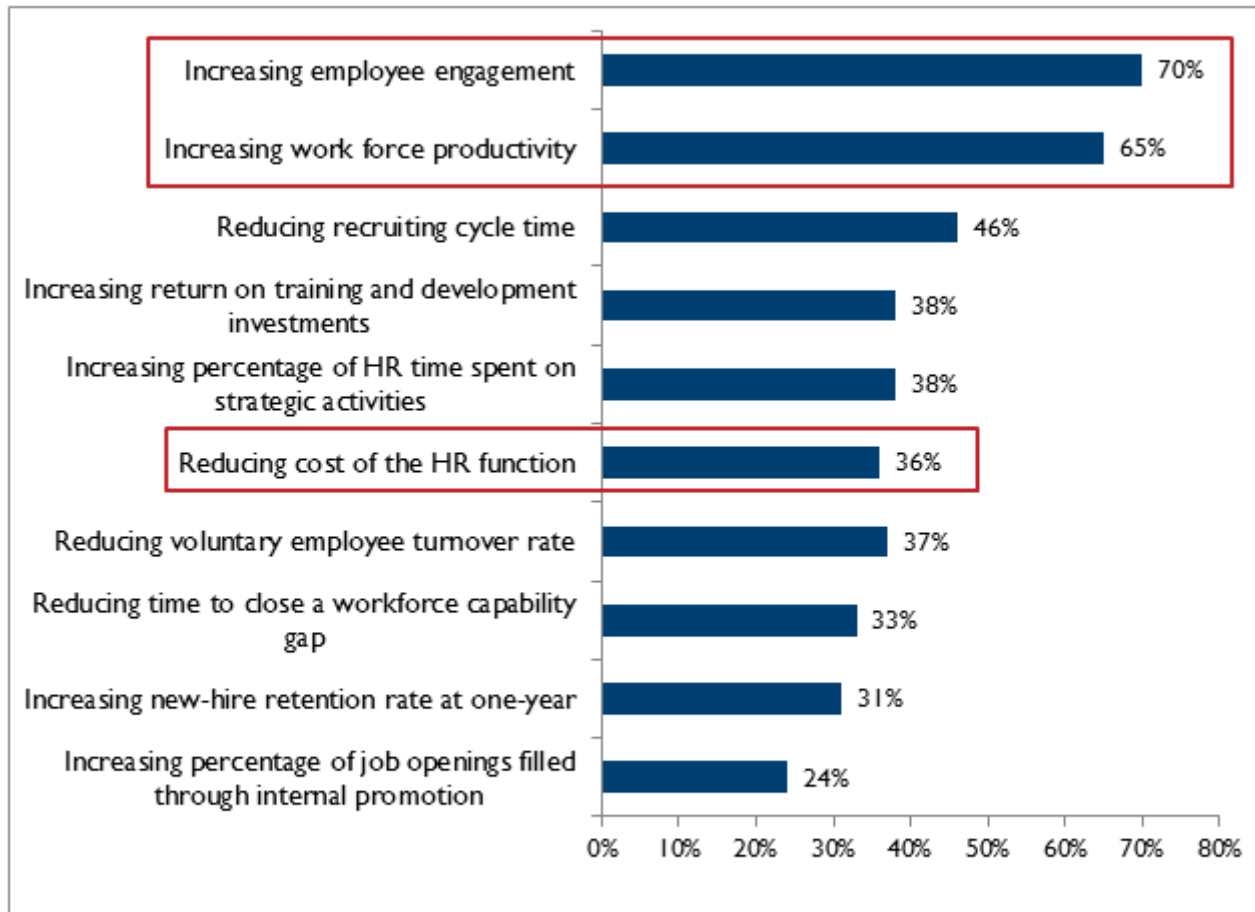


Figure 1

among their organization's human capital performance objectives (Figure 1).

A MODEL FOR OPTIMIZING TALENT

Whereas most organizations today recognize the need to optimize talent, the process for doing so may be less obvious. The APQC/Cognizant survey results show three elements that help organizations approach human capital more strategically and achieve superior business performance: HCM change management maturity, HCM process maturity, and HCM technology maturity.

Analysis of the survey responses demonstrated that each element is independently associated with more strategic management of human capital (i.e., strategic

HCM maturity) and a higher assessment of organizational performance relative to industry peers. The survey results further show that maturity in any one element (e.g., change management, process, technology, or strategy) is associated with maturity in any other element (Figure 2). In this model, strategic HCM maturity refers to an organization having HCM strategy development and implementation completely integrated with business strategy development and integration. HR and the business are equal partners in optimizing the work force to achieve strategic objectives.

Model for Optimizing Talent

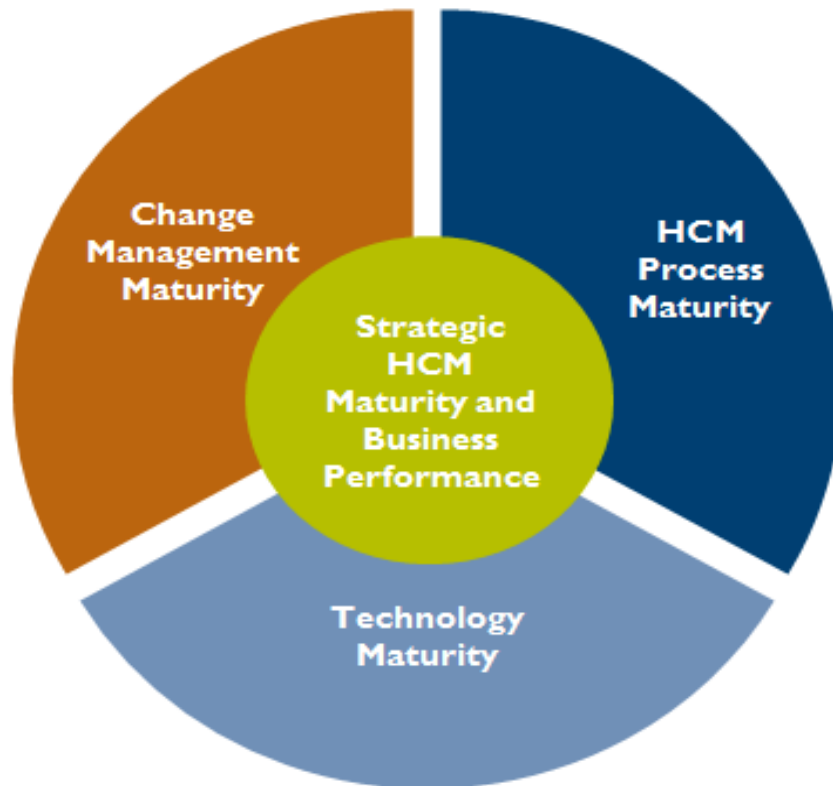


Figure 2

HCM CHANGE MANAGEMENT MATURITY

For an organization seeking to optimize talent, a foundational step is communicating this strategy to employees and then teaching employees how to make this strategy a reality. Indeed, analysis of the APQC/Cognizant survey results showed a relationship between HCM change management maturity and talent optimization. Having a mature HCM change strategy was found to be related to the more strategic use of human capital and better business performance relative to peers. Why is that?

The success of translating a strategy into action often comes down to how well an organization can affect

the cultural norms of how work gets done. It involves adjusting the data, tools, or practices that people use to make everyday decisions. As an organization develops its HCM processes or technology to support the deployment of a strategic initiative, having the proper change management tools to steer the culture shift allows it to realize the greatest value.

For this survey, HCM change management maturity was defined as an organization proactively using a standard set of change management practices to achieve its HCM change initiatives. Previous APQC research has revealed a number of best practices that contribute to change management maturity. These include using a formal plan to communicate with employees about the change. Ideally, this plan



explains how the changes align with the organizational strategy and individual work responsibilities.

Change management best practices also pertain to how communication is approached. Over the last five years, the medium in which the change

communication is deployed has shifted considerably from static, somewhat infrequent updates to highly-visible, immediate communication using social media concepts within business. Organizations provide platforms for people to share experiences and feedback as change occurs. Although this may seem daunting, employees now expect increased transparency and the ability to hear and provide feedback as changes occur.

In addition, an organization will want to ask its employees in all work streams for feedback regarding any processes or systems that will need to be redesigned. The organization should also explain to individual employees their specific responsibilities related to the change and hold employees accountable for carrying out these responsibilities. Finally, the organization will want to establish visible measures of change adoption and share successes to establish credibility for the change (Figure 3)⁴.

HCM Change Management Best Practices⁵

Develop an employee communication plan that explains the problem that the change will solve.
Include in the communication plan an explanation of what is in it for the message recipient.
State the desired outcomes and the timeline.
Modify competency models to reflect employee capabilities required by the change.
Conduct a training needs assessment.
Design and implement a training program to bridge knowledge and skill gaps.
Collect input throughout the change process using focus groups, town hall meetings, surveys, etc.
Set performance goals that reflect the behaviors required to meet change objectives.
Include measures to assess these behavior changes in performance evaluations.
Modify recognition and reward programs to encourage employees to change.

Figure 3

A mature HCM change management approach enables talent optimization because it ensures all employees recognize a shift in how the organization views human capital. And it provides employees with enough information that they will not only feel compelled to change but also know how to change in ways that support the talent optimization objective.

HCM PROCESS MATURITY

In addition to change management, HCM processes also play an important role in an organization's ability to fully optimize talent. HCM processes include:

- ◆ developing and managing HR plans, policies, and approaches;
- ◆ recruiting, sourcing, and selecting employees;
- ◆ training and developing employees;
- ◆ rewarding and retaining employees; and
- ◆ managing employee information and analytics.

As with HCM change management maturity, analysis of the APQC/Cognizant survey data revealed a relationship between HCM process maturity and talent optimization. Greater HCM process maturity is associated with greater strategic HCM maturity and higher assessments of organizational performance.

For this survey, HCM process maturity was defined as an organization having standardized and centrally managed HCM processes, measures to assess the performance of these processes, and methods for improving process performance. Whereas HCM change management shows the why and explains the how behind talent optimization, HCM processes incorporate the how into daily HCM workflows so that talent can strategically achieve business objectives.

Organizations with mature HCM processes align HCM processes with broader business objectives and centralize the management of HCM processes while also allowing for some level of local customization. All HCM processes are integrated with each other, and information from one HCM process flows to the others. Processes are performed both efficiently and effectively.

Mature HCM processes enable talent optimization because they balance the dual needs that organizations today have from HCM: the need for HCM costs to be managed while talent contributions are maximized. HCM process maturity frees time for HR practitioners, people managers, business leaders, and employees to find ways to use talent more strategically. It ensures easy access to current business and work force information and facilitates the sharing of HCM best practices and innovations. And the centralized and efficient HCM work practices that are characteristic of HCM process maturity can be quickly modified in response to fast-changing business and talent requirements. Employee and manager self-service, centers of excellence, and automation are all organizational tools to reach HCM process management maturity.

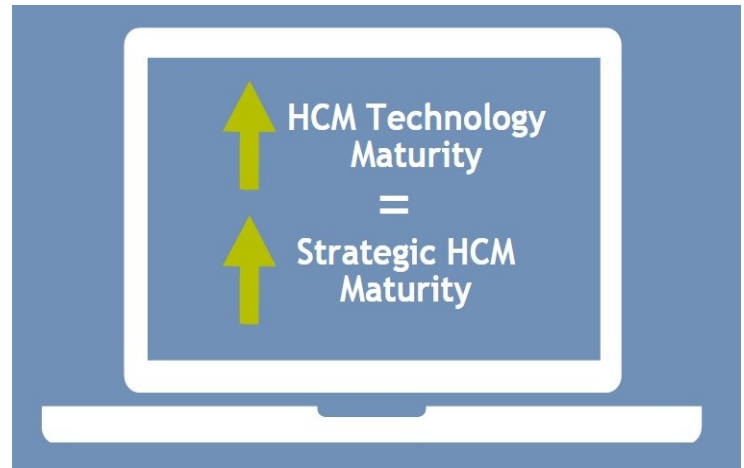
In addition, business process as a service (BPaaS) is becoming a more common way for organizations to pursue the benefits of mature HCM processes. BPaaS refers to an organization delivering integrated HCM processes on a cloud-based architecture, which may include software as a service (SaaS), platform as a service (PaaS), and infrastructure as a service (IaaS). The APQC/Cognizant survey results reveal that the HCM process most commonly deployed using a BPaaS model is recruiting, sourcing, and selecting



employees. Twenty-eight percent of participants responded that their organization uses BPaaS for handling the recruiting process, followed by 27 percent of organizations using BPaaS for managing employee information and analytics.

HCM TECHNOLOGY MATURITY

Through automation, technology can contribute to HCM process maturity. But HCM technology can play an even larger role in talent optimization. Along with HCM change management and HCM processes, HCM technology also enables talent optimization. HCM technology maturity is associated with strategic HCM maturity and higher assessments of organizational performance. For this survey, HCM technology maturity was defined as having a single, fully cloud-based HCM system (in other words, deploying all HCM software via the Internet). The APQC/Cognizant survey found that readiness to move HCM to the cloud or already having moved HCM to the cloud—whether using a “big bang” or phased



applications are included in their organization’s current HCM strategy (Figure 5).

HCM technology maturity enables talent optimization because, as with mature HCM processes, it addresses the need for HCM costs to be managed while talent contributions are maximized. In this scenario,

Organizational Readiness to Move HCM to the Cloud

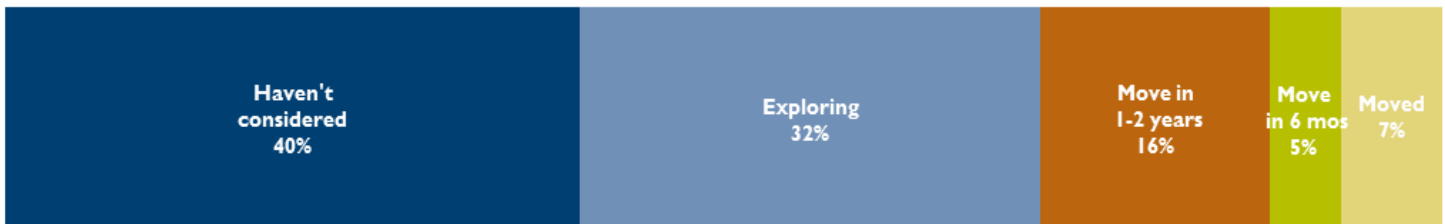


Figure 4

approach—is associated with strategic HCM maturity and better assessments of performance relative to industry peers (Figure 4).

Moving HCM to the cloud can make it easier and less expensive for an organization to take advantage of other technology-backed HCM innovations such as mobile and social HCM, as well as integrated talent management and predictive work force analytics. The APQC/Cognizant survey showed that these innovations are of interest to HR professionals. And more than half of HR professionals participating in the survey said integrated talent management and social

technology more than helps contain the cost of HCM processes through simplification and automation; technology also enables work force analytics that generate insights on how to use human capital more strategically. For example, using predictive analytics, organizations can identify critical talent that is at risk of leaving the organization and do so in time to implement retention strategies. With predictive analytics, organizations can also identify the sources for what become their top-performing or most engaged employees and then prioritize recruiting from these talent pools.

HCM Technology Innovation Included in Current HCM Strategy

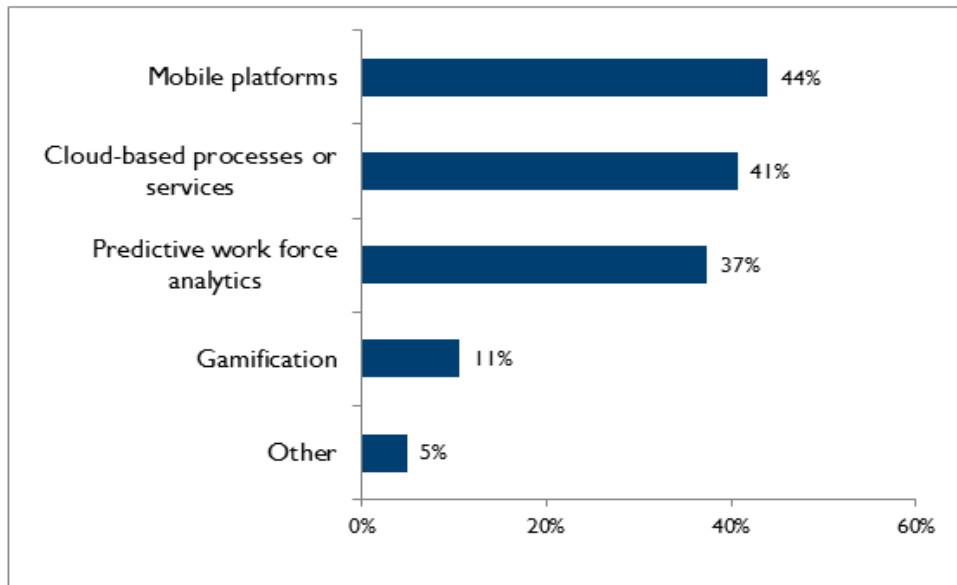


Figure 5

Organizations need mature HCM technology in order to provide everyone in the organization with trustworthy and up-to-date work force data. In addition, mature HCM technology, by facilitating mature HCM processes, makes it easier for those in the organization to respond to the work force data in a timely, organization-wide fashion. This point is bolstered by the survey findings; when participants were asked about the top two drivers of their organizations technology decisions, their responses were enhanced analytics capabilities followed by low costs.

In fact, the important role that technology plays in strategic HCM was supported by an earlier APQC survey⁶. This study showed that organizations with strategic HR functions make a significant use of technology to handle administrative aspects of HR. In addition, strategic HR functions are more likely to say that technology and self-service meet their organization's administrative HR needs very well. The research found that strategic HR functions use HR data and analytics to proactively consult with their businesses regarding its human capital challenges and opportunities.

MOST COMPANIES ARE NOT OPTIMIZING TALENT

The APQC/Cognizant survey showed that most organizations have talent optimization goals (i.e., employee engagement and work force productivity), and it revealed a model for achieving these goals. However, it also made clear that most organizations do not have all of the components outlined in the optimizing talent model.

Although change management should be one of the first considerations that an organization has in pursuing its HCM strategies, half of the organizations represented in the APQC/Cognizant survey lack formal, HCM change management approaches. In addition, for each HCM process included in the APQC/Cognizant survey, between one-quarter and one-third of the organizations have low maturity levels. Most organizations are not outsourcing HCM processes and few are using BPaaS. As noted, the HCM processes that participating organizations most commonly deploy using a BPaaS model are tactical or administrative in nature—that is, managing employee information and recruiting.

Finally, most organizations could reap more benefits

HR's Role in an Organization



Figure 6

from HCM technology. Approximately two-thirds of respondents do not have predictive analytics as part of their HCM strategy. Similarly, one-third lack standard HR measures. Further, only 18 percent of companies in the survey have a single, integrated HCM system that gives an organization-wide view of measures and analytics. However, survey respondents indicated that advanced HCM analytics are important to their organizations. Enhanced analytics capabilities are the primary driver of technology decisions at survey respondents' organizations, followed by low cost. Although moving HCM to the cloud could provide such enhanced analytics capabilities, 37 percent of organizations have either no plan to move HCM to the cloud or do not know what the benefits of moving HCM to the cloud would be. Not

surprisingly given all of these findings, only 27 percent of participants said that HR is a strategic partner at their organization (Figure 6), and only 7 percent said their organization had reached strategic HCM maturity (Figure 7).

CONCLUSION

Talent optimization is the critical path to business growth and the future of any organization. The time is now to choose to evolve, by shifting focus from human capital cost containment to talent optimization. Organizations can use the talent optimization model that emerged from this APQC/Cognizant research to accelerate this transition.

Level of Strategic HCM Maturity

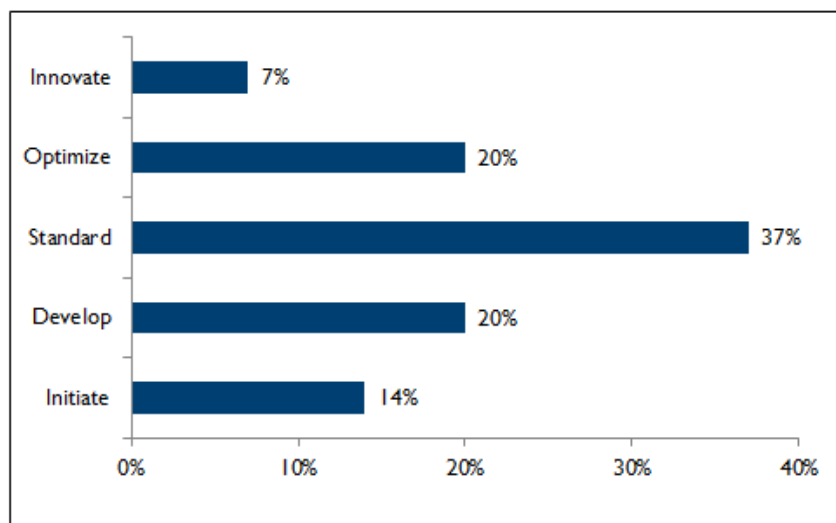


Figure 7

KEY TAKEAWAYS: THE COGNIZANT PERSPECTIVE

For years, HR organizations have sought different paths and models to help them achieve strategic significance within their organizations. In the past, HR transformation initiatives that focused on automating processes using technology were a staple of successful companies. However, those transformations were hampered by a lack of change management, process, and technology maturity. Similar to how the steam engine contributed to the Industrial Revolution, strategic HCM maturity has the potential to drive HR organizations to strategic excellence. The talent optimization model gives HR organizations the tools and knowledge to strategically use talent to impact the business like never before. The research shows that maturity in any one of the three components—change management, process, or technology— will help HR make more strategic contributions that in turn help the company excel. It is also clear from the research that organizations that fully realize maturity in all three areas will hold a distinct competitive advantage.

Cognizant recommends a path that begins with HR change management maturity. This is the foundation of the model and is key to enabling acceleration of the other two components. Creating strategies and implementing standard change management methods and toolkits will help the company implement the cultural shift that is key to success.

HR process maturity is the next focus. It has been said many times but it is true: automating a bad process does not improve the process—it just makes the bad process faster. Organizations need to have an understanding of the tools on which their HR technology rests or have a valued partner with the experience to help them understand how the technology can empower the processes. Talent optimization should focus on best practice processes that help the organization acquire, compensate, engage, retain, and promote the top-performing employees.

Finally, HR technology maturity is the engine that powers business success. An integrated talent management system is a hallmark of truly innovative companies. Fully leveraging process automation, data collection, and BPaaS allows HR to focus on executing the strategic business imperatives necessary for business growth.

RECOMMENDATIONS FROM COGNIZANT

HR Change Management Maturity Actions:

- ◆ Assess current state using a standard change management maturity model
- ◆ Identify gaps in the three major change areas—strategic change leadership, change readiness of the business, and project level change capability
- ◆ Identify and implement a change model that fits your organization’s strategy and culture; Cognizant’s experience is that many companies choose one of the following standard maturity models for HR change:
 - ◆ Kotter’s 8 step process for leading change⁷
 - ◆ Prosci’s ADKAR model⁸
 - ◆ Kurt Lewin’s three phases change methodology⁹

HR Process Maturity Actions:

- ◆ Start with a strong vision
- ◆ Identify the top 5 – 10 processes with the most business impact
- ◆ Question everything; “best practices” are there for a reason, so really push back on process customizations to ensure they are relevant and contribute to an integrated whole

HR Technology Maturity Actions:

- ◆ Understand how technology and process work together—integrated systems are key
- ◆ Create a technology roadmap
- ◆ Use the move to HR cloud-based systems to inform HR process standardization

END NOTES

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ABOUT APQC

APQC is a member-based nonprofit and one of the leading proponents of benchmarking and best practice business research. Working with more than 500 organizations worldwide in all industries, APQC focuses on providing organizations with the information they need to work smarter, faster, and with confidence. Every day we uncover the processes and practices that push organizations from good to great. Visit us at www.apqc.org and learn how you can make best practices your practices.

ABOUT COGNIZANT

Headquartered in Teaneck, New Jersey (U.S.), Cognizant combines a passion for client satisfaction, technology innovation, deep industry and business process expertise and a global, collaborative workforce that embodies the future of work. With over 50 delivery centers worldwide and approximately 187,400 employees as of June 30, 2014, Cognizant is a member of the NASDAQ-100, the S&P 500, the Forbes Global 2000 and the Fortune 500 and is ranked among the top performing and fastest growing companies in the world. Visit us online at www.cognizant.com or follow us on Twitter: [@Cognizant](https://twitter.com/Cognizant).



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