

# Strategic commentary

## Digital transformation and the world-class HR difference

Dorothee El-Khoury

**R**esearch from The Hackett Group defines world-class HR organizations as those that feature in the top quartile for both effectiveness and efficiency across a number of metrics. In practice and performance, the differences between these organizations and the rest are substantial.

World-class HR departments employ 32 per cent fewer staff than the peer group and spend 23 per cent less per employee. This has substantial financial advantages: a company that generates US\$10bn a year in revenue can take up to US\$14mn out of their cost base if they can achieve world-class status.

This performance difference has not arisen in a vacuum. The best HR organizations know how to leverage digital technologies, analytics, resource allocation, business partnering, service design and delivery to the greater business' advantage. Their greater understanding and efficient, budget-friendly philosophy is essential to their superiority over the peer group.

For companies who hope to catch up with world-class performance, progress should focus on the following five areas.

### Digital transformation

How HR positions itself in digital transformation is very revealing of its ability to act as a valued business partner. World-class HR functions play a leadership role in the digital transformation of their organization, while others are trying to figure out how to use what they see as a new set of IT tools to serve the same old processes.

The digital world requires new skills to make, collect, cleanse and make sense of the mass of new information available, to the benefit of the business. It will bring dramatic changes to the workforce, decreasing sharply in numbers as robots replace humans while specializing steeply for the remaining roles. Also, digital world has completely transformed the workplace: the way employees interact, when and where they work from, what information they use to do their jobs, how they see their career and what they expect from their employer has completely changed, and it is HR's responsibility to ensure that the business needs are fulfilled in this context. HR must ensure that the new skill requirements are understood; that the company has a brand to attract these scarce profiles; that employees enjoy the workplace and are willing to further engage; and that the people with outdated profiles are re-skilled efficiently or managed out of the business in a respectful manner.

Dorothee El-Khoury is HR Practice Leader at the The Hackett Group, Paris, France.

World-class HR organizations understand the digital age, and they approach digital transformation as an opportunity to redefine people management. They are taking the initiative: investing 18 per cent more in digital technology than the peer group, automating processes and developing employee-centric self-service two to four times quicker than the rest. They also leverage cloud-based services to a greater extent and intend to increase their use of these services more in the next one to two years.

For their own needs, world-class HR use automation and self-service technology to either eliminate time-consuming processes or to provide new services and enhance the employee experience in the workplace.

### Decision-making and analytics

World-class HR invest in developing their own analytical capabilities, setting up an analytical team, investing in analytical tools to gather reliable and up-to-date information on employees and organizations and enable better decision-making.

Thanks to this capability, world-class HR organizations are working from better information than the peer group, and this allows them to streamline their processes and pursue more informed, efficient workforce strategies.

Most notably, they monitor exterior circumstances continuously to situate important data in its proper context. This “sensory” system empowers them to analyze their talent more effectively, deploy plans with greater intelligence and conduct regular performance analysis.

World-class HR organizations simply *know* more than the competition. They know which skills are associated with superior capability

and which are abundant in the market; they understand when staff members are happy in their work and when they may be considering leaving; they understand what the new generation expects from their employer and they know how to engage it, they know which training and development schemes can broaden skillsets, deepen their reserves of internal competency and boost organizational leadership.

### Resource allocation

While not new nor conceptually exiting, the efficiency and productivity gains associated with digital transformation are essential for HR organizations in an age where budgets are stubbornly refusing to grow.

Being able to do more with the same (or less) is a hallmark of world-class HR.

They keep on measuring their performance, targeting inefficiencies and relentlessly evolving their service delivery model to reduce them.

Other companies prefer to contemplate the reasons why they are “different” and are unable to implement best practices, their performance-measurement initiatives focusing on finding excuses for not changing.

The now well-known three-tier model (HR business partner, shared services and corporate) is implemented by less than 20 per cent of organizations overall, but it is extremely common to those in the world-class bracket.

Being world class is also about professional and focused teams. It is also about operational excellence and execution capability.

### Service design and delivery

World-class service design and delivery keeps the end user at the forefront.

This is true of every department, and the fact that HR customers are inside the company brings no exception to the rule.

World-class HR organizations deploy employee and employer-centric approaches: they adopt senior and junior self-service functions at a higher rate than the peer group, freeing up their time and resources to pursue more customer-focused goals.

World-class HR organizations understand that they are more than capable of indirectly impacting end-user experience – and they put this knowledge into action.

### Business partnership

Last but not the least, The Hackett Group research illustrates very clearly what business partnership means for HR. It is about focusing on business outcomes, above and beyond the common HR process measures.

Performance leaders track indicators like workforce business performance, profit per employee and the return on investment (ROI) of HR two to four times more often than other companies. More importantly, they share these between senior HR leaders and business unit leaders to a much greater extent, to ensure that the workforce-management processes support business objectives.

In world-class HR, teams are leaner and 20 per cent more employees are dedicated to enabling business change and partnership across the wider enterprise. This makes it easier to facilitate interdepartmental collaboration and boost credibility across the entire company. Eighty per cent of these world-class

organizations are perceived to partner “to a high extent” with other constituent parts of the business.

### **In summary**

Pursuing world class in HR has never been as important as in the digital age.

The third industrial revolution has started and is about to bring dramatic changes to the workforce, reducing staff, increasing specialization and transforming how, when and where employees interact and what they expect from their employers. It is HR’s responsibility to make sure the business has what

it needs and provide a substantial competitive advantage in the market.

### **Corresponding author**

Dorothee El-Khoury can be contacted at: [delkhoury@thehackettgroup.com](mailto:delkhoury@thehackettgroup.com)