



HOW HR GETS SMARTER:

Key Trends in Workforce Management

September 2008





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“There is nothing permanent except change.” – Heraclitus

A World of Change

In any size organization, but especially in the small to midsized company, HR lives in direct contact with change: changing personnel, changing regulations and also changing expectations — not only from employees but also from senior management and other areas within the organization.

To meet these changing demands, more and more companies are using workforce management solutions to get smarter about HR. The successful human resources function is one that never stops learning, one that in fact sees every new challenge as an opportunity: To contribute to the organization’s larger goals. To respond in an increasingly strategic and proactive way, rather than merely reacting.

Increasingly, workforce management solutions can support and enhance the business intelligence of the HR function. A large majority of organizations of all sizes currently utilize some sort of payroll, benefits administration or HR management system [Figure 1]. Service delivery applications are also on the rise [Figure 2].

And there’s more good news: Innovations in technology are making these solutions more broadly available. Smart small to midsized companies are enjoying sophisticated transaction processing and service delivery that free their own HR professionals for more strategic tasks and programs — for which there’s no shortage of need in today’s world.

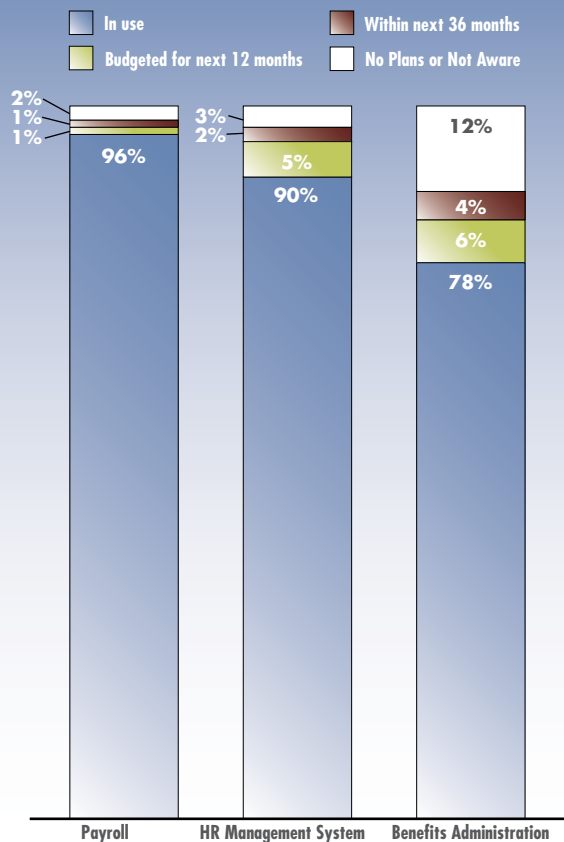
External Pressures

You can’t open a periodical or surf the Web without reading something about the U.S. economy and the degree to which it is modeling a recession. Whether it is the ongoing challenge of providing healthcare coverage to workers, the cost of oil, the mortgage lending crisis, concerns about financial institutions or layoffs, these real issues affect the environment in which HR teams work and how they approach the future.

A great deal of ink has also been spent on the subject of the changing workforce. Forrester Research has reported the impending retirement of some 76 million baby boomers over the next 10 years with only 46 million younger employees to take their place. Companies are looking at how to keep older workers engaged, as well as how to create effective succession plans.

Plus, there are the still-to-be-determined effects of younger workers, more and more of whom are moving into management positions. Generation X and their younger counterparts the “Millennials” arrive at work with a very different set of expectations, as well as a panoply of technological solutions they’ve come to rely on. Companies that compete for these younger talents will need to be able to meet workplace expectations that vary significantly from those of earlier generations.

Figure 1: Administrative Applications Usage – Worldwide



Source: CedarCrestone 2007–2008 HR Systems Survey, 10th Annual Edition.

HR Gets Smarter

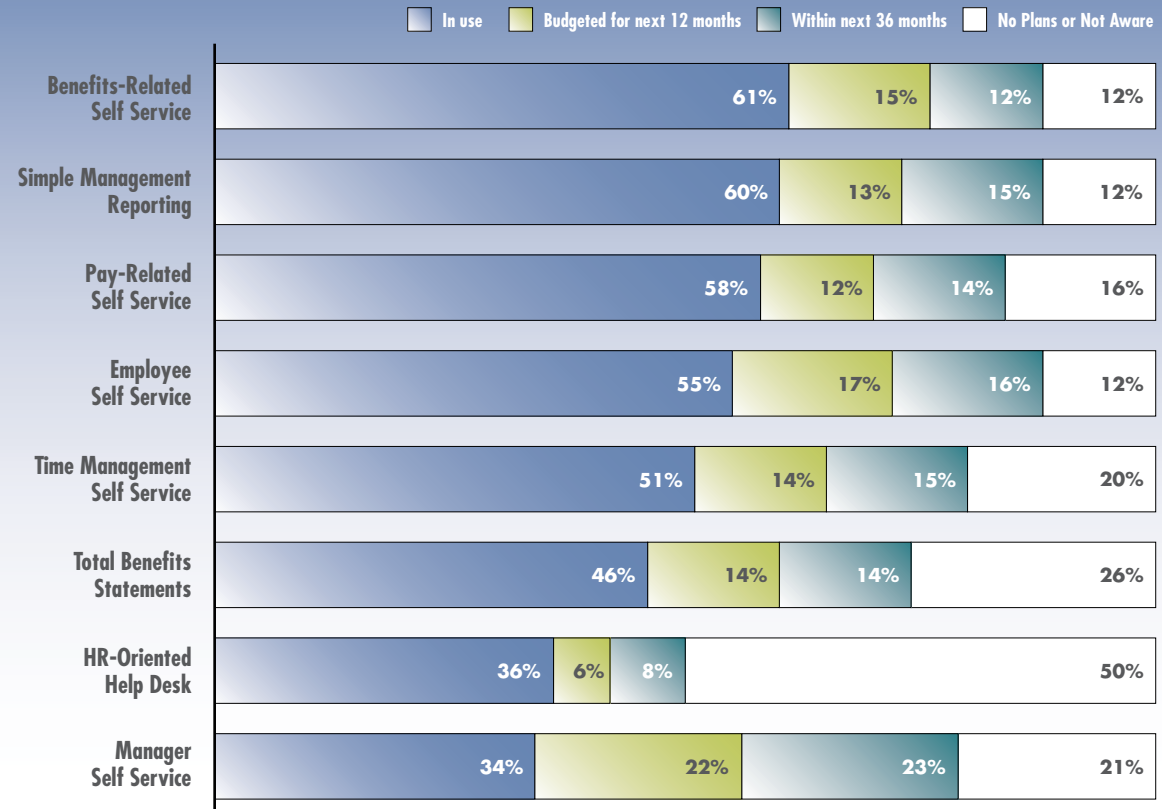
In an environment whose defining characteristic appears to be change, it helps to be able to categorize exactly what's changing, in order to better craft an appropriate response and prioritize necessary actions. Such knowledge can give HR the power it needs to face and overcome all manner of obstacles, whether related to people, processes, technology and/or external factors.

To meet the challenges of a changing world at work, successful HR functions of all sizes are “leveraging everything”: the talents of their people, the available workforce management solutions (both in-house and external), their business processes and their company data.

To manage and to respond to the changing needs of a workforce that is at once more diverse, more interconnected and more global, the successful HR function also is getting smarter: smarter about performance management and smarter about implementing processes and workforce management solutions that align individuals with company goals and objectives.

Whether it is related to scaling up (or down) to meet changing business needs; extending online communications among employees, business partners and customers; providing quicker response times; or supporting strengthened/proactive compliance with changing legislation, today's HR function is stepping up, adding more value and becoming a true strategic partner...and that's smart.

Figure 2: Service Delivery Applications Usage – Worldwide



Source: CedarCrestone 2007-2008 Survey.

Business Intelligence: Now Required

Today's smarter HR function is increasingly expected to be able to measure its impact – both on employees and on the company's bottom line. "Business intelligence" and "workforce analytics" now rank high on the list of areas in which HR functions spend their time and budget [Figure 3].

The level of business intelligence varies: "For those getting started, the most critical barrier is that data is in multiple systems making it difficult to provide an integrated view of talent and its performance impacts," according to the *CedarCrestone 2008 Metrics and Analytics White Paper*. Business intelligence outputs range from the generation of management reports to the utilization of visualization tools and distribution/alert technologies.

In addition to providing accurate and timely information, the goals of these efforts include the visibility and transparency that can lead to better decision making and provide insight into organizational effectiveness.

The *CedarCrestone 2007 Metrics and Analytics Report* states that "there really is no one set of metrics or models that is universally adopted." While there are frameworks that can be used as a starting point, each organization's approach to and adoption of – and interpretation of – metrics should be specific to that organization.

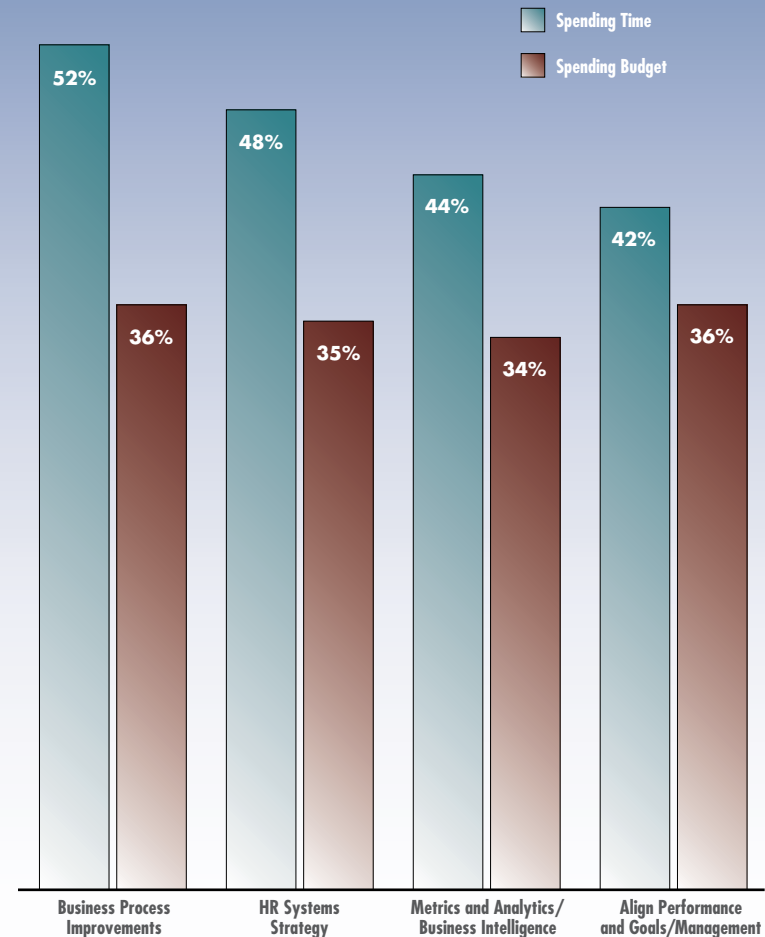
An Average of Four

According to the *CedarCrestone 2008 Metrics and Analytics White Paper*, on average, four metrics are reported: "The most used metrics continue to show headcount, hires, promotions, terminations, and turnover at the top of the list." HR teams also utilize metrics that can identify trends and drivers of employee behavior, such as trends in benefits utilization and costs, and how they affect revenue.

Analytics need to be generated across platforms, business units and locations. Common reporting and intelligence will allow HR professionals and other managers within the company to "slice & dice" data along different dimensions and across time in order to identify meaningful changes, verify if company strategies have been successful and/or assess the impact on company revenue.

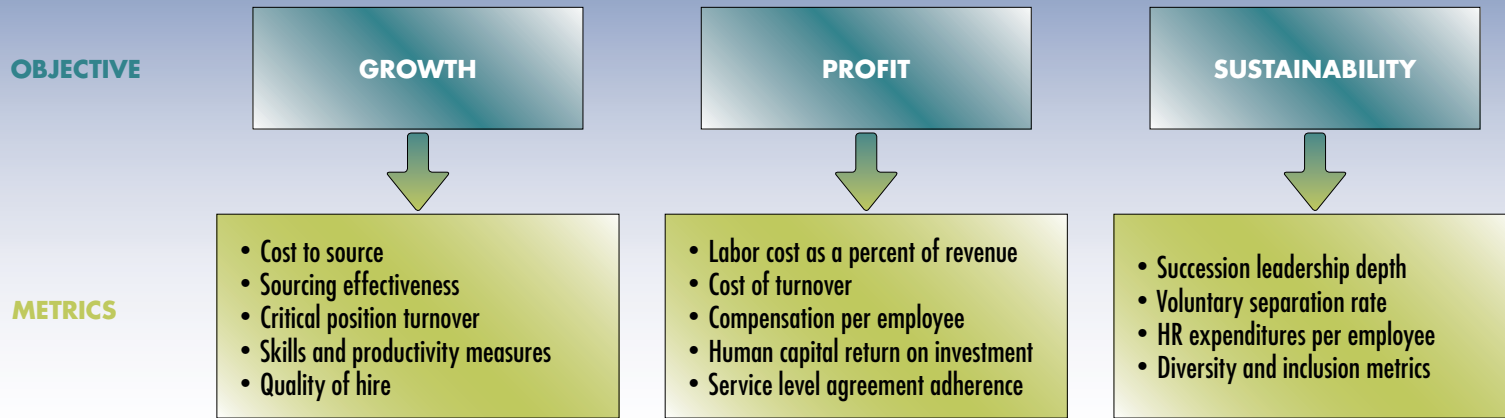
The *CedarCrestone 2008 Metrics and Analytics White Paper* notes, "Organizations in growth mode have different, more strategic metrics than those that have a strategy of profit or sustainability. These organizations are more focused on showing the impact of the workforce on the business." [Figure 4].

Figure 3: How Respondents Spend Time and Budget – Worldwide



Source: CedarCrestone 2007-2008 Survey.

Figure 4: Metrics by Organizational Strategy



Source: CedarCrestone 2008 Metrics and Analytics White Paper.

Becoming Strategic

For the small to mid-sized organization that wants to utilize business intelligence to improve its organization's performance, the process is reasonably straightforward.

The process is one of continuing to move away from purely tactical and administrative tasks and a reactive mode of work to a mode that is more strategic and valuable to the organization as a whole. A basic process would include steps to:

- Identify the problem(s)/issues to be addressed
- Look at what needs to be measured
- Determine opportunities for automation, seeking solutions that are easy to adopt, deploy and use
- Analyze relevant data
- Report out to management

Applying Technology

The CedarCrestone 2008 Metrics and Analytics White Paper reports that "to fully institutionalize workforce analytics," a variety of workforce management solutions are required. The components they identify include:

- An agreed upon system of record
- Data repository or data warehouse
- Reporting tools
- Presentation/visualization approach
- Analytical tools
- Distribution and alert technologies

"Metrics and analytics can be 'pulled' from the portal or a scorecard, but the ideal approach is to 'push' information through roles-based workflow notifications or alerts when action needs to be taken. Only 6% of survey respondents have such push technology today with 26% planning for this within the next three years," according to the CedarCrestone 2008 Metrics and Analytics White Paper. [See Figure 11.]

Just How Smart Is Your HR Function? A Self-Assessment

General Instructions

Using the chart on the following page, assess each subject area [each letter: S, M, A, R, T] based on your perception of your organization’s current state — not what you wish it were, or plan for it to be.

After reviewing the items listed in the self-assessment for each subject/letter, assign a rating between 1 (low) and 10 (high) for each subject/letter. You can then average the five to determine an overall SMART HR score, if desired.

Putting Your Results in Context

Where your HR function is along the spectrum from “crisis manager/order-taker” to “strategic partner” (to quote a recent ADP white paper) also affects your assessment. As in Figure 5, are you focused on leveraging available technology to achieve administrative excellence? Focused on streamlining processes? Is HR a true partner that supports smarter business results?

Options for Going Deeper

Each subject/letter includes 10 specific items. For a more detailed assessment, assign a score to each of the 10 items within each subject/letter and then average them to obtain the overall score for each subject/letter.

To learn more, here is one idea: When you look at the five individual letter scores, are they similar, or do you see variation (such as 3 on one, and 10 on another)? If so, this can provide additional insight.

Another idea: Your HR team can gain different and valuable information by having people outside the HR team do an assessment, such as the CFO, another executive, a sales team member, a front line employee....

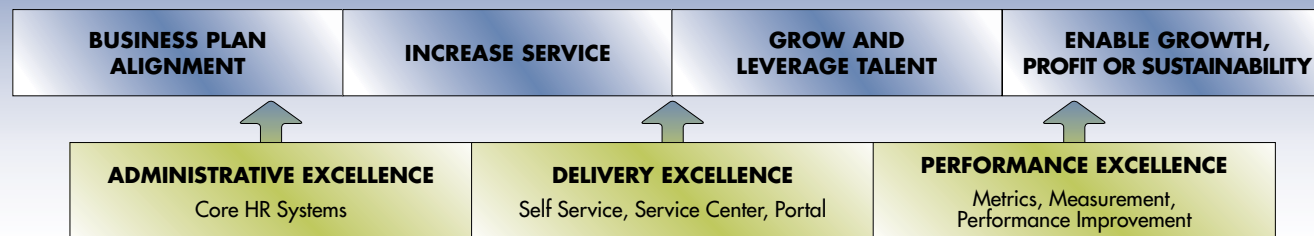
How To Read Your Scores

Here’s a quick interpretation of your SMART scores.

$$\frac{\text{Total Score}}{5} = \text{Overall SMART Score}$$

1-3	Well, you’ve got some work to do. And sooner than later.
4-5	So far, so good. Look for opportunities to improve (and/or balance) your efforts.
6-7	Excellent. You’re well on your way to success.
8-10	Wow. Congratulations. (And be sure to keep your eyes open for the next “next thing” to ensure your score stays high.)

Figure 5: Alignment, Increased Service and Strategy Is Supported by Following a Strategic Adoption Path

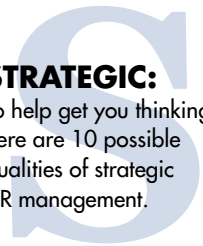


Source: CedarCrestone 2007-2008 Survey presentation.

To use this self-assessment: Consider your current HR function. For each subject/letter here [S, M, A, R, T], assign a score between 1 (low) and 10 (high). Please refer to page 6 for additional guidance.

STRATEGIC:

To help get you thinking, here are 10 possible qualities of strategic HR management.

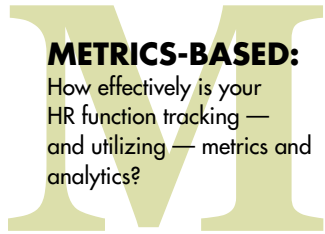


Score

<i>Strategic HR is:</i> Proactive	<i>Strategic HR means:</i> Serving as a resource
Engaged	Having a seat at the executive table
Creative	Managing change
Efficient	Understanding the business
Effective	Anticipating needs

METRICS-BASED:

How effectively is your HR function tracking — and utilizing — metrics and analytics?

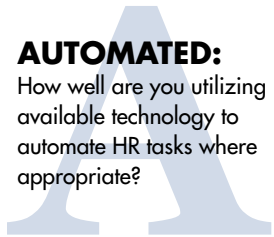


Score

Headcount, hires, promotions, turnover	Ability to “slice & dice”
Trends/drivers of employee behavior, such as trends in benefits utilization	Analytics “pulled” from portal or scorecard
Common reporting	Analytics “pushed” through notifications or alerts
Common business intelligence	Able to measure if strategies have been successful
Access to measurements across business units, multi-locations, across time	Achieving visibility and transparency

AUTOMATED:

How well are you utilizing available technology to automate HR tasks where appropriate?



Score

A human resource management system (HRMS)	Distribution and alert technologies
Data repository or data warehouse	Self-service tools, which may provide 24/7 and off-site access
Reporting tools	HR-oriented help desk application
Presentation/visualization, on the intranet or corporate portal	Competency management application
Analytical tools, ranging from Excel to predictive analytics	Workforce management solutions that are easy to upgrade, scalable, etc.

RESPONSIVE:

Successful HR organizations are always learning and growing.



Score

Leveraging “everything”	Energized
Forward-looking	Integrated, both within and outside HR
Listening to your constituents	Open to new ways of doing things
Benchmarking other organizations	Modeling best practices
Demonstrating flexibility	Attuned to workforce: multi-generational, diverse, global

TALENT-CENTERED:

How smart is your HR function in handling key talent management tasks?



Score

Staffing needs assessment and determination	Compensation planning and management
Recruitment — tools and processes to attract, evaluate, hire and onboard	Effective talent utilization
Delivering and tracking of training (both skills and advanced)	Career development
Shaping and supporting an organizational culture	Succession and continuity planning
Scheduling, performing and documenting performance reviews	Aligning employees with company goals

Talent: Attract, Grow and Retain It

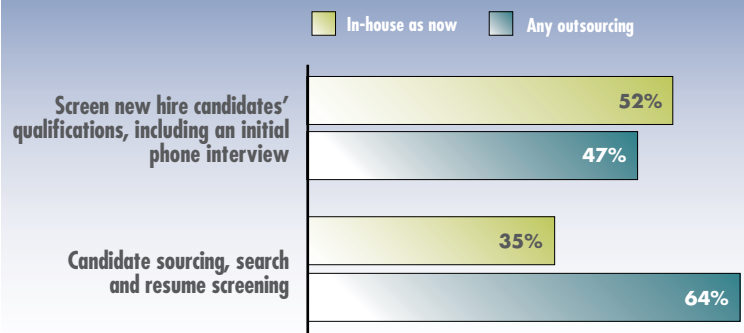
Another area of human capital management that is justifiably receiving a lot of attention is the subject of talent management. The “war for talent” may be old news, but affecting employees’ lives for the good, from recruitment to retirement, or from pre-selection to separation from employment, is a bona fide hot topic.

Attracting and retaining key talent requires having recruitment tools and processes in place. Measuring trends like turnover. Developing talent through performance management, effective talent utilization, learning management, career development and succession planning. It may also mean offering flexible work environments and/or schedules, and accommodating employees’ needs as they continue to change. Plus, workers may now be remote or virtual.

Having the right people in the right jobs, all rallied around the company’s mission, is what makes the difference between success and failure. Employees are seen as assets and increasingly as that which makes an organization tick. When a key asset leaves, there is a gaping hole that may never be repaired. Keeping these human assets happy and stable is a constant challenge for HR.

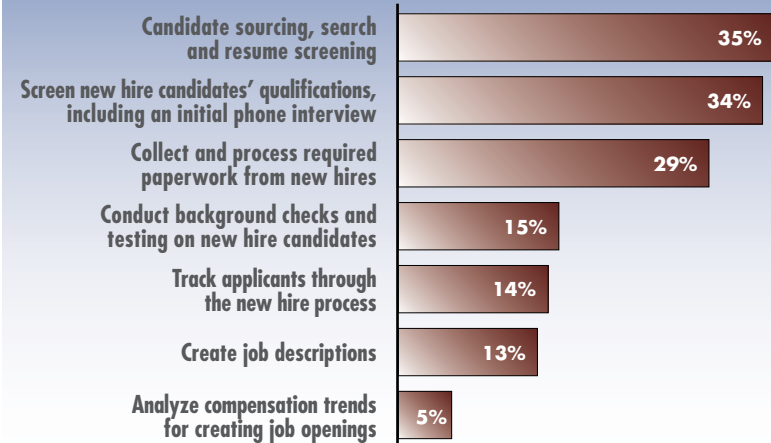
Recruitment and selection activities are particularly time-consuming [Figure 6]. However, they may also be good candidates for outsourcing support [Figure 7].

Figure 7: Most Efficient Way To Handle HR Tasks



Source: *Outsourcing Attitudes and Key Drivers Study*, ADP, 2007.

Figure 6: How HR Spends Its Time: Specific Recruitment and Selection Activities



Source: *Outsourcing Attitudes and Key Drivers Study*, ADP, 2007.

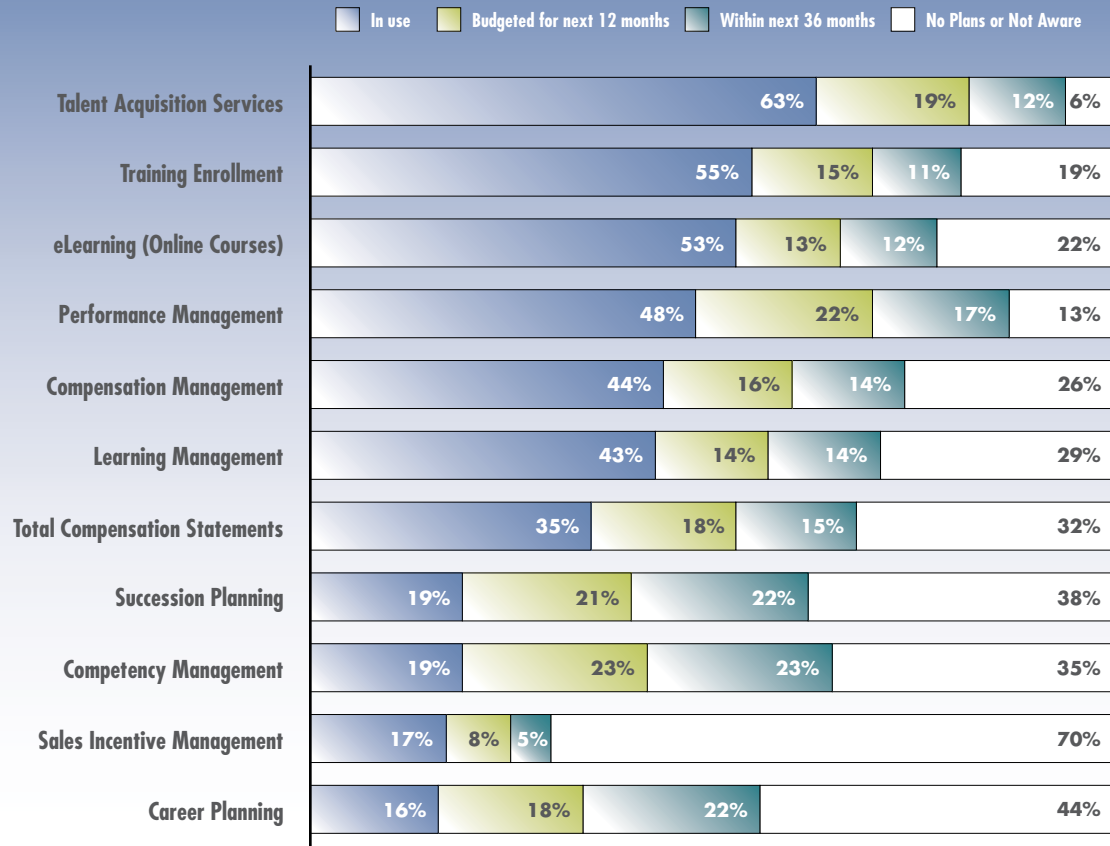
As talent management efforts (and their accompanying data) become more sophisticated, integrating them with existing processes and HRMS/other systems presents additional challenges. However, the *CedarCrestone 2007–2008 HR Systems Survey, 10th Annual Edition* reports that organizations with higher levels of integration of talent management solutions outperform those that are less integrated.

Several of the more common talent management initiatives in which companies are currently engaged include:

- employee **turnover** reduction initiatives
- improvements to **recruitment** processes
- improved **absence management** procedures
- proactive **succession** management
- improved identification of/reward for **high performers**

The most popular strategic human capital management application is talent acquisition services [Figure 8]. Several other talent management activities also rank high on the list.

Figure 8: Strategic HCM Applications Usage – Worldwide



Source: CedarCrestone 2007-2008 Survey.

Technology: A Valuable Resource

As more and more small to mid-sized businesses work to address their strategic HR management needs, they are turning toward workforce management solutions that provide access to all relevant data, across systems, and to Web-based services and service-oriented architectures. Software as a service (SaaS) can be a smart option that provides robust and flexible solutions.

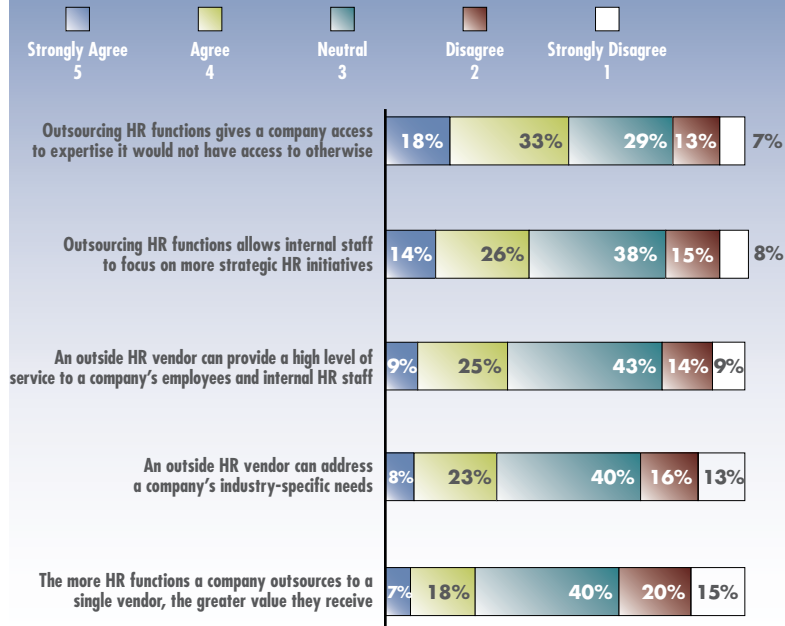
Applying the right technology allows the solo HR administrator or small HR team to achieve results they could never achieve on their own, while improving the level and types of services they provide.

Key Technologies

According to the CedarCrestone – *The Value of HR Technologies: Metrics and Stories Report*, CedarCrestone surveys show, “Process savings range from 20% to over 80% depending on the process and the technology. Automation to enable open enrollment yields the highest process savings and manager self service typically results in 50% plus savings.”

“Organizations with several key technology solutions have stronger operating income growth than those without. These solutions include an HR-oriented help desk application, competency management, an enterprise warehouse with HR data, or an HR warehouse solution.” (CedarCrestone 2008 Value Report). According to the CedarCrestone 2007–2008 Survey, the two most important are the HR help desk and competency management.

Figure 9: Agreement with Statements About Outsourcing HR Functions



Source: *Outsourcing Attitudes and Key Drivers Study*, ADP, 2007.

Seeking Outside Help

Research commissioned by ADP asked HR professionals at small to mid-sized companies to respond to a series of statements about outsourcing [Figure 9]. On a five-point scale (where 1=Strongly disagree and 5=Strongly agree), more than half of the companies agree or strongly agree that “Outsourcing HR functions gives a company access to expertise it would not have access to otherwise.”

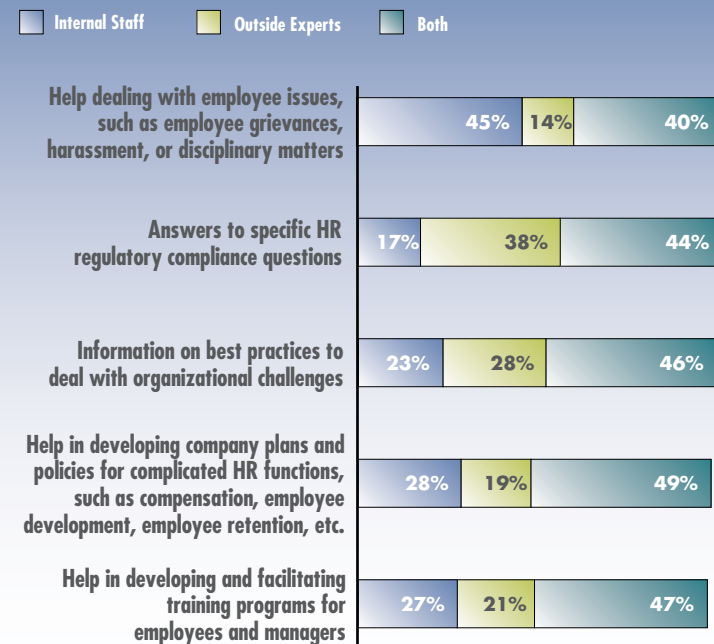
This research also identified where these small to mid-sized organizations are currently turning for help with HR-related matters: to internal staff, outside experts or both [Figure 10]. When they do seek outside assistance, more than 80% of the respondents said they reach out to their company’s attorney or their company’s insurance broker or agent. Just over 50% turn to an HR or benefits consultant or their company’s accountant.

Outsourcing Continues to Grow

The *InformationWeek Analytics Business Process Outsourcing Survey* of 372 business technology professionals reports, “All signs point to BPO [Business Process Outsourcing] and IT outsourcing continuing to grow. Our survey finds 28% say they planned to increase the use of BPO and 36% plan to increase IT outsourcing — in each case, the number of those planning to increase is about four times greater than those planning to decrease the use of outsourcing.” (*InformationWeek Analytics, Business Process Outsourcing*, June 2008).

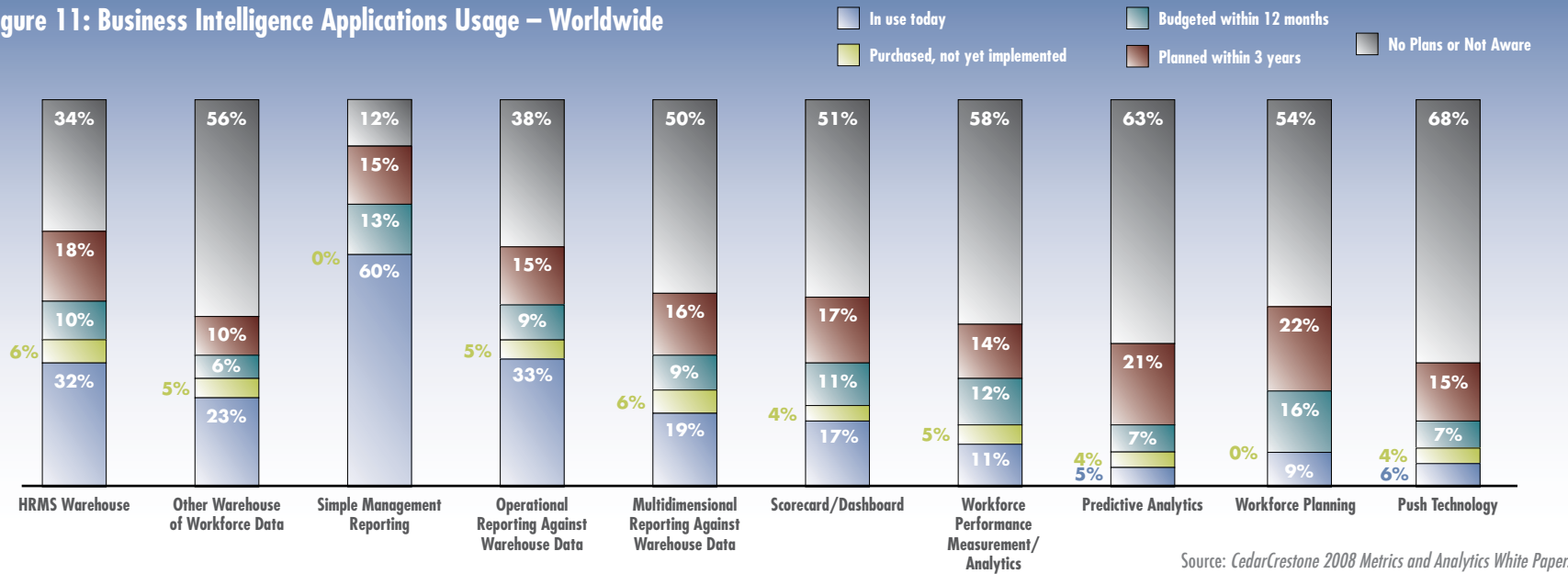
However, while the trend toward outsourcing continues, companies are “taking a *selective approach*” (*CedarCrestone 2007–2008 Survey*), choosing to utilize a combination of in-house and outsourced options, depending on what makes the most sense for their organization. As with efforts to make the overall HR function more strategic, there is no single “right answer.” Context matters.

Figure 10: Where HR Seeks Additional Expertise



Source: *Outsourcing Attitudes and Key Drivers Study*, ADP, 2007.

Figure 11: Business Intelligence Applications Usage – Worldwide



Source: CedarCrestone 2008 Metrics and Analytics White Paper.

HR Steps Up

Becoming strategic is all about getting smarter: learning which HR activities add real value. While there is no shortage of “best practice” recommendations that are available to you, each HR function and each organization will find that the right mix of people, process and technology innovations will be specific to your individual organization and its unique needs.

Effective relationships are built on employee wants and needs — helping an employee manage the details of an impending maternity leave, rather than processing forms or tallying vacation days. With the right service and technology support, the issues your HR team isn’t “graded on” get taken off their plate so they can focus on issues like employee relations and true business partnering.

Working Smarter, Not Harder

Figure 11 shows the current state of adoption of various business intelligence applications worldwide. Whether it means taking that first step of ensuring effective HR data gathering and management, or utilizing sophisticated analytics and workforce planning, HR organizations of all sizes are learning how to focus on doing what they do best.

That learning includes the effective application of workforce management solutions (whether in-house, outsourced, or in combination) to help them transform both their HR function and their organization as a whole.

The ability to integrate systems — both in-house and outsourced — is one important consideration when choosing an outsourcing partner. HR is not contained within the four walls of a business. You want to be sure your partner provides an interface engine that facilitates the sharing of information.

The biggest opportunities for workforce management efficiencies are those related to finding more ways to remove administrative tasks from HR. Self service tools speak to Web-savvy employees’ needs and lives, and have already demonstrated their ability to change the way employees interact with their peers, their supervisors and HR.

Choosing the Right Partner

To help your HR function get smarter, you need to choose the right partner for any tasks you elect to outsource. We invite you to consider ADP.

With ADP, you access a team that provides a remarkable breadth of best-in-class workforce management solutions and services. You'll be able to integrate your financial, HR, benefits and other responsibilities while knowing that you're working with a service leader recognized for its commitment to innovation.

ADP's expertise is not only broad but also deep. Our COBRA administration, 401(k) and recruitment solutions address all aspects of managing these complex processes.

Visit ADP's website at www.majoraccounts.adp.com for detailed information about ADP solutions and services.

ADP focuses on providing our clients with the best workforce management services and support. The difference is in our people and the level of investment that ADP puts into delivering a great solution. Our flexibility is another differentiator. When you partner with ADP, you're buying outstanding services — and access to our network of experts — that happen to come with software.

Also, we listen to you. Many of ADP's service and solution innovations are the direct result of our client interaction. We have in place simple, direct feedback mechanisms that enable clients to submit ideas they may have while working on a specific task. ADP responds personally to every request. We can let you know if what you are asking for is planned in an upcoming release or if we have an idea of another way to accomplish what you need.

Our focus on being of service to you means you will receive the full attention you deserve. Your input shapes the very solutions you're using. This, and more, sets ADP apart from other workforce management solutions. Being strategic in HR soon will become a given...how about being transformational?

About ADP

Automatic Data Processing, Inc. (NYSE: ADP), with nearly \$8 billion in revenues and approximately 585,000 clients, is one of the world's largest providers of business outsourcing solutions. Leveraging more than 55 years of experience, ADP offers the widest range of HR, payroll, tax and benefits administration solutions from a single source. ADP's easy-to-use solutions for employers provide superior value to companies of all types and sizes.

About the Author

Daphne Foreman is a communications consultant who focuses on helping companies achieve their business objectives. She has researched, written, edited, and project-managed HR communications specific to employee benefits, compensation, training and development, and executive policy. Daphne earned two Masters degrees from Yale University, including an MBA. Since 2002, she has served as a consultant to ADP on numerous projects.



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