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The innovation imperative: How HR can elevate its business impact to enable high performance

By John Higgins

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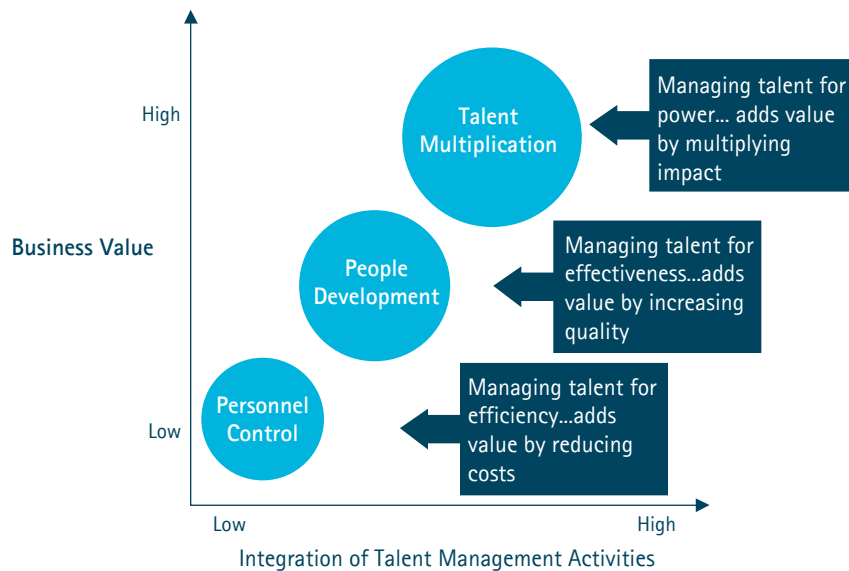
At its core, business is defined by innovation. Competitive advantage is unearthed with speed and creativity, while the gap between dominant market players and fading also-rans is filled with new products and services developed using fresh approaches.

The human resources function is well positioned to shape that advantage by fostering a culture of innovation within an organization. After all, companies rely on HR to strategically groom talent that will help them achieve high performance. Extending beyond a traditional focus on HR administration yields measurable results, improves profits, and enables an organization to flourish for the long term.

HR innovation means building on the tactical aspects of the discipline to align with business strategy and transcend the conventional concept of HR. Tasks such as applying benefits programs, salary administration and deployment of employees will always carry central importance. However, by working in a strategic context—including HR's role in coaching, connecting and empowering a new generation of executives—HR can make a direct impact on the bottom line and drive high performance.

The value ladder to high performance

Figure 1



Business process outsourcing (BPO) of HR and learning can play a key role in guiding companies down this path. At its most basic, BPO takes on the bulk of the administrative burden and frees up resources to enable HR to pursue higher level goals. At the same time, the right outsourcing partner injects continuous innovation into the organization as together they climb a value ladder (Figure 1) that passes through three crucial areas of impact.

Personnel Control

The first rung of the value ladder addresses the traditional focus on operational effectiveness and efficiency of HR. Using a BPO partner, task oriented items such as payroll processing and administering compensation and benefits plans

can be industrialized and made consistent, standardized, predictable and repeatable. This step alone significantly lowers operational expenses and enables HR to focus on more strategic contributions.

People Development

With more capital and resources available, companies can progress to the second rung of the value ladder. More value is brought to the enterprise by managing talent to be highly effective, thereby universally increasing the quality of output. This approach allows the talent to enjoy a short ramp-up period, builds capabilities faster and more cohesively, and creates higher levels of output across the enterprise.

Talent Multiplication

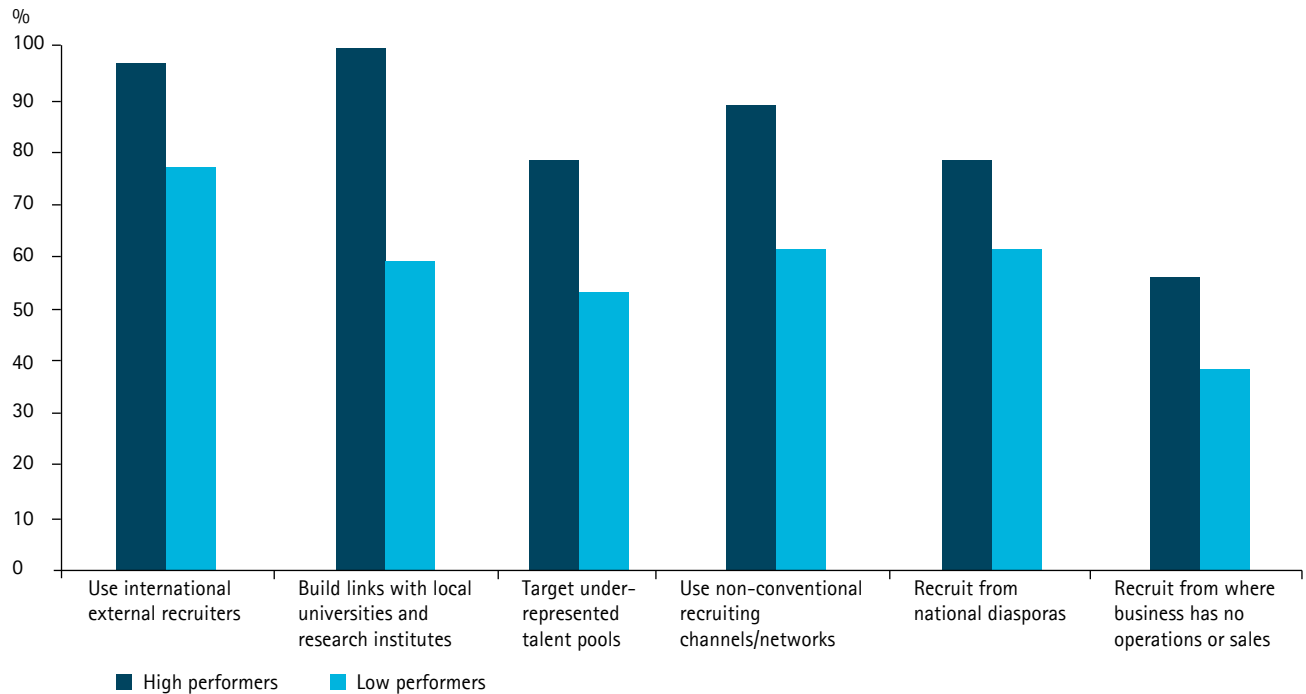
The third rung of the value ladder takes efficiency and quality gains and spreads them upward through the organization. With a foundation of streamlined operations and a talent pool that is built for high performance, the HR function can now connect to strategy and create significant value from a bottom-line perspective. This is the true game-changing step—HR is able to drive business results by equipping the workforce with the right knowledge, resources and freedom to deliver breakthrough advances.

Global innovation for global challenges

Approaching the value ladder with a BPO partner empowers HR to help combat overarching, long-term challenges that threaten companies of all sizes and across sectors. Succession planning, for example, is a daunting issue that has slowly crept to the forefront over the past decade and is likely to dominate HR strategic initiatives. Demographics in every country are shifting, creating a situation that will lead to an aggressive quest for high-powered talent as senior-level executives head toward retirement. The trend is shaping up to be a greater challenge than anything encountered in recent memory, far eclipsing Y2K and Sarbanes-Oxley in its potential impact on HR.



Figure 2. High-performance businesses reach out to new talent pools in a variety of ways
Which of the following steps is your company taking in foreign markets where it aims to expand its workforce?



Source: Strategies for Achieving High Performance in a Multi-polar World, Accenture, 2009

The trends are staggering. According to Accenture's 2007 report, "The Rise of the Multi-Polar World,"¹ in the United States the retirement of baby boomers means that the country's 500 largest companies could lose half of their executives within the next five years. In China, the workforce is expected to start shrinking within the next 10 years. The impact will be widespread, with some industries suffering more acutely than others—the aerospace industry, for example, expects to have 40 percent of its employees retiring over the next five years. With this in mind, the ability of an organization to acquire, develop and retain talent is more critical than ever.

Complicating the matter even further is the dynamic nature of global sourcing. In a multi-polar world, international sourcing, production and delivery models dictate that the operations of different disciplines are often in different locations (for example, manufacturing in China, sales in Europe and the United States, and research and development in the Middle East). HR needs to manage from a cross-border perspective with attention to virtual teams, clear communication and cultural differences from one region to the next.

Such utilization of global workforces has allowed many multinationals to increase their competitive advantage by expanding access to previously lower-priority regions. In a recent Accenture study "Strategies for Achieving High Performance in a Multi-Polar World", research showed that high-performance businesses build relationships with local universities and research institutes as sources of interns and new recruits, and are more likely than low performers to use innovative, non-conventional recruiting methods such as competitions and word-of-mouth strategies.²

New waves of HR innovation

Companies working to proactively meet such global challenges can motivate talent to rise to the occasion by strategically providing knowledge, collaboration and opportunity across the organization. There are a few distinct waves of innovation that are coming to fruition and supporting HR in pursuit of this goal:

Analysis and reporting

On their own, measurement, analysis and reporting are unlikely candidates for innovation. One breakthrough innovation, however, is the way in which an analytics engine processes, presents and points to data that can reenergize a company—and continue to energize it with every reporting cycle. With the most relevant information presented in the clearest manner, decision makers can move in different directions with confidence, thereby changing the entire focus of the organization. These emerging innovations in analytics are also helping to increase the speed of decision making. In this way, HR evolves from the realm of transaction processing to value-added analysis and becomes connected to the business in a way that inspires significant change.

Bridging knowledge and performance

HR's ability to inspire and motivate talent is directly tied to the way in which it integrates learning management, knowledge management and performance management. That process begins from the moment new talent becomes a part of the organization, and the overlap between the three areas presents clear opportunities for innovation.

Successful global businesses make it a point to ensure that their workforces have access to the full complement of technical and managerial skills. In fact, several leading software providers already offer one-stop-shop portals to support learning and development, and according to the above noted Accenture studied nearly nine out of 10 high-performance businesses—compared with fewer than six out of 10 low performers—establish their own learning academies.³

Collaboration

Support mechanisms for teamwork and community have made exponential leaps since the advent of real-time tools and networking technology. The inbound generation of employees have come to expect a work environment supported by social networking resources (for instance, Facebook, AIM) and collaborative intranets that enable virtual teamwork at all hours and from any location. A thirst for instant communication and continuous feedback is the HR function's dream come true—these tools can be the heart of employee engagement and leadership development for a younger workforce that wants to be more connected to the enterprise.

Making a bottom line impact

To best illustrate the impact that HR can have on business goals, recall that baseline operational HR costs represent an estimated 1 to 2 percent of an organization's operations. That administrative figure may be small, but when HR innovation is integrated into the big picture—the entire enterprise workforce—the total opportunity for value creation raises by an exponential percentage.

That means to truly impact the business, efforts can be elevated beyond the first rung of the value ladder—operational efficiency—to address the total package of talent and improve productivity, performance and profitability. BPO for HR and learning can put in place new processes that make the most out of the workforce, with systems to reduce absenteeism and attrition, streamline training and incentivize creative action. This helps the organization improve day-to-day management while simultaneously boosting corporate growth.

HR will always be at the center of corporate culture, which is where the ability to achieve high performance is born. Inspiring the workforce to learn, collaborate and feel confident enough to explore their boundaries empowers future leaders to achieve high performance and paves the way for growth in any climate.

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About the author

John Higgins is the Senior Director of Innovation Deployment for HR and Learning BPO Services at Accenture, where he is responsible for leading the deployment and adoption of innovative solutions and capabilities.



John serves as an Accenture liaison to the analyst community, HR and learning industry organizations, alliance partners and key clients. John's current areas of focus and research include: talent management analytics, mobile learning, integrated workflow learning and increasing the business impact of HR and learning.

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