



Building an HCM strategy with impact

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As organizations today recognize that their teams are directly connected to the business's overall success, they are creating organization-wide strategies focused on Human Capital Management (HCM) to influence and impact every aspect of the organization. How they hire, support, compensate, and retain their workforce can be seen in a business's innovation, productivity, brand, and performance. By embracing a strategic approach to HCM, your organization can ensure it has the right talent, skills, and capabilities to respond effectively to changing market dynamics, technological advancements, and competitive pressures. For leaders, the insights provided play a pivotal role in strategic decision-making by aligning workforce capabilities with organizational goals and objectives.

Human Capital Management (HCM) strategy is the intentional and integrated approach to effectively manage and activate the workforce to achieve strategic business goals. It encompasses a range of practices, policies, and initiatives to attract, develop, engage, and retain talent within the organization.

The HCM strategy typically focuses on five key areas:¹

1



Core people strategy

Understanding who we have in the organization, their roles, and complete compliance understanding. It also looks at the talent strategy from a high level.

2



Pay and benefits

Compensating employees financially and supporting them personally.

3



Workforce management

An organized system to ensure that the right people are in the right roles, at the right time, with the right skills and competencies.

4



Talent strategy

Approaches focused on how you hire, manage, train, and engage your workforce on a personal level.

5



Data insights and business alignment

Analytics are available to measure performance and consistently re-align people strategies to business goals.

It is closely connected to the overall business strategy, supporting and enabling the organization's strategic objectives; providing executive leadership with key analytics and insights to help them make better decisions.



This guide provides an overview of the concepts, best practices, and technologies related to HCM to equip you with the strategic knowledge needed to shape and optimize your organization's strategy and select the technology and services that best support your goals.

Why organizations are moving towards a well-defined HCM strategy

As organizations focus more on hiring and retaining existing employees, they recognize the importance of ensuring that people are represented in their business strategies. By putting people at the core of their strategy and identifying measurable ways to assess, evaluate, and manage their teams, organizations gain valuable insights and knowledge about detailed areas of the business and its people, allowing them to make minor adjustments with significant impact. Not having visibility, can result in decision-making based on incomplete or erroneous information, leading to costly mistakes and financial losses.

In addition to giving complete insights into business decisions that need to be made around your people, a well-rounded HCM strategy also nurtures a culture of continuous improvement, innovation, and collaboration. Engaged employees are more likely to be proactive problem-solvers, contribute innovative ideas, and collaborate effectively with their peers. **Organizations with a highly engaged workforce are 23% more profitable and 14% more productive.**²

An approach that attracts, motivates, engages, and empowers employees to deliver their best helps your organization achieve critical business goals.

Aligning HCM strategy with business strategy can help your organization:¹

- ✓ **Make data-driven decisions:** Leverages data and analytics to make informed decisions about human resources initiatives and strategies.
- ✓ **Ensure talent alignment:** Identify the critical skills and capabilities required to execute the business strategy and align talent acquisition, development, and deployment accordingly.
- ✓ **Enhance agility:** Build an adaptable and flexible workforce that can respond to changing market conditions and industry disruptions.
- ✓ **Promote diversity, equity, and inclusion:** Promotes diversity and inclusion through recruitment practices, inclusive policies, diversity training, and creating an inclusive culture.
- ✓ **Improve experiences:** Aligned organizations improve for customers, partners, and employees — seeing improved revenue and business outcomes as employees feel valued and support your business.
- ✓ **Enable innovation:** Foster a culture of innovation by nurturing creativity, collaboration, and knowledge sharing among employees.
- ✓ **Maximize employee engagement:** Creates environments that offer benefits beyond total employee rewards. Engagement is highly researched and correlated to many improved business outcomes.
- ✓ **Optimize performance:** Establish performance metrics and initiatives that directly support achieving business objectives, improving overall organizational performance.
- ✓ **Ensure compliance and mitigate risks:** Establishes policies, procedures, and practices that enable compliance and mitigate HR-related risks.

The lack of an HCM strategy can make it difficult for the organization to have the right processes and controls to ensure its operations follow laws and regulations or show consistency when needed. This can expose your organization to risks and challenges, such as legal liabilities, litigation, financial losses, bad PR, and operational troubles. It can also lead to losing trust between the organization and its stakeholders, investors, community, and future and current employees. However, proactively addressing these challenges through an intentional and focused plan for your organization's people sets you up for success.

How organizations are constructing an HCM strategy

A great starting point is understanding the core areas of an HCM strategy — what they mean, what they do, and what you should be doing as a starting point — and the different technology available and frequently used. As so many of the priorities around HCM strategy are data-driven, access to an integrated solution becomes important in maximizing your outcomes.



Core people strategy

The foundational pillar. This ensures your policies and programs are legally compliant in the area you work, your teams are organized and structured effectively, and there is a strong understanding of the needs of the business. This supports much of the administrative functions of an HCM strategy that are vital to business success.

Pay and benefits

Ensures employees are fairly compensated and supported beyond a paycheck. This involves designing and implementing competitive and equitable compensation plans, traditional benefits like healthcare, retirement, and tax-deferred programs, and newer programs closely tied into total talent and engagement such as rewards and recognition, employee well-being, and perks like pet insurance and child care.

Workforce management

Includes workforce planning, time and attendance, scheduling, and predictive modeling to align workforce needs with organizational goals. It can help your teams forecast future talent requirements and identify skills gaps and internal talent mobility when managed strategically. It can maximize schedule efficiency to enhance the employee experience and ROI.

Total talent strategy

Focused on the individual candidate and employee and ensuring their needs are met to support and optimize their ability to do their job effectively with a focus on hiring, engagement, and retention. Total talent strategy typically consists of three key areas or approaches, each with tightly aligned goals and a significant impact on the other areas of HCM Strategy and vice versa:

Talent acquisition — Identifying, assessing, and hiring the right people.

Talent management — Measuring performance, ongoing learning/development, and goals of existing employees.

Employee experience — Ensuring a safe, positive, and rewarding workplace where people are seen, heard, and valued to improve customer experience and retention.

Data insights

Analytics and reporting metrics that can help support decision-making and budget decisions around people and talent decisions, the same way we use them for other business areas.

Once you have a solid understanding of the core strategies, most organizations will look at their processes and technologies to see what they already have, where they may have gaps or areas for improvement, and start looking at how they can ensure these are all working together more effectively. Having a team or group representing different stakeholders and roles — both in and out of HR — isn't unusual to come together and ensure everyone is fully represented. Finally, with updated processes and approaches, you identify where and how these areas align clearly with the corporate goals.

It isn't a process that happens overnight but rather a goal to continuously adjust and work towards. Most organizations are already much further along than they think once they start looking at each area more strategically.

Where technology supports these efforts

Most organizations find leveraging technology allows them to not only automate and streamline processes and strategies but also gives them more accurate access to the vital data points and analytics that differentiate a strategic HCM approach from traditional HR processes.

The HCM landscape is filled with a number of technologies from “core” or solution that are at the center and support or connect to everything else — often including critical things like administrative record keeping and payroll to “point” solutions or technology that addresses a single part of the process, like recruiting or onboarding.

Today’s organizations often have dozens of different technologies to support a strategic approach to talent and HCM. To get the most effective outcomes, an integrated approach is vital. No solution on the market is the “best” at everything. Some solutions have a wide selection of offerings in each area of an HCM approach and can provide everything else through their partner ecosystem — ensuring you can meet every concern. By choosing an integrated solution, you typically find more cohesion around moving through the system, a better experience for your employees, and in some cases, you can even find integrated reporting and analytics.

Building an “HR Tech Stack” or a strategic plan for how your technology will support your strategic HCM planning can be complicated with many different tools and technologies. We suggest breaking your decision-making into a few key areas:

- 1 **Understanding the overall process and strategy** you are solving or supporting and making a business case, if needed, for budget approval, etc.
- 2 **Researching and buying planning** — This is a great place to look at buyer’s guides and product demos, read reports and case studies, and refine requirements
- 3 **Evaluating and selecting** — Make a list of key things you want and need, make a checklist including product and partner-level questions, and determine how well the solutions meet those needs.
- 4 **Implementation and change management planning** — How do you plan for the success of a project or technology

Within HCM, there are some key technologies that you should consider and are expected as discussion points for starting the research or tech stack plan. It is important to note that organizations have very different needs — a professional services firm will have different requirements for a time clock software than a warehouse, etc. During your research, you will identify and find tools that work well or don’t work for your needs.

Here are a few standard products that most organizations have in place:

- ✓ **Core people strategy** — HRIS/HRMS, HR Service Management, Employee Self-Service, Org Chart
- ✓ **Pay and benefits** — Payroll, Compensation, Pay Equity, Continuous Pay, Wellness/Well-being, Benefits Administration, Benefits, Rewards and Recognition
- ✓ **Workforce management** — Scheduling, Time and Attendance, Labor Forecasting, Time Clock/ Location Management
- ✓ **Talent strategy** — Recruiting Software, Performance Management, Learning Systems, Succession Planning, Internal Mobility, Employee Surveys, Employee Engagement, Employee Comms
- ✓ **Data insights and business alignment** — People Analytics, Workforce Intelligence

As organizations mature in their HCM strategy, their tech stack often expands to offer more to both employees and the leadership teams regarding data and insights for strategic decision-making.



Conclusion

By placing people at the heart of HCM and operational strategies and goals, businesses unlock actionable insights for informed decision-making and create a culture of innovation, collaboration, and respect for the workforce.

Moving to a more strategic approach requires an honest look at the processes, strengths, weaknesses, and how aligned you are with the business as a whole. Most organizations find technology a vital part of their transformation strategy and are looking to technologies that provide unified or integrated approaches for their workforce.

Ultimately, embracing a well-structured HCM strategy, supported with the right technology solutions, empowers your organization to navigate challenges, capitalize on opportunities, and create a thriving workforce that drives business success. Investing in a well-defined HCM strategy is key to unlocking the full potential of your organization's most valuable asset: its people.

Sources:

¹ Aspect43 Research, 2023

² <https://www.gallup.com/q12>



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