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Harnessing Big Data: The Human Capital Management Journey to Achieving Business Growth

2015 ADP Global Human Capital Management Decision Makers Survey

CONTENTS

EXECUTIVE SUMMARY

In an effort to better understand the challenges multinational organizations face along with their focus areas for 2015, the ADP Research Institute® conducted its third annual survey of Global Human Capital Management (HCM) Decision Makers. This survey yields new insights to the current thinking of HR decision makers and with three years of data, illuminates and clarifies trends that have been developing over the past few years.

This year's survey of 725 senior leaders at global multinational organizations with more than 5,000 global employees has been conducted across the regions of Asia Pacific, Europe, as well as the Americas (with Latin America included for the first time). The survey asked a number of key questions about a wide range of HCM topics in an effort to understand the impact they have on organizational business strategy and their ability to execute their strategy plans. Essentially, the survey attempted to discern the following for large multinational businesses:

- **What are your top business goals?**
- **What are the challenges in achieving those goals?**
- **Which areas of Human Capital Management are most likely to help you overcome the challenges and achieve those goals?**

According to the ADP Research Institute's study, the outlook for global business looks positive. Companies are increasing headcount outside of their headquarter countries demonstrating confidence about business opportunities. However, there are challenges related to HCM that are inherent in the growing process.

For example, multinational organizations are grappling with a complex set of disparate HCM systems and processes; managing an average of 33 payroll systems and 31 HR systems. Additionally, more than two-thirds of multinational companies (69 percent) rank talent acquisition and tracking as the workforce management strategy with the greatest impact on their organization's business objectives. Yet, 49 percent of study respondents also state talent management is their top business challenge.

This disconnect directly affects global organizations' ability to achieve their top business goal of expanding into new markets. The following discussion seeks to align HCM activities with the organizations' specific goals and spotlight the situations needing attention.

Introduction – The Changing World of HR

If you are working hard to identify the number of people working for your company, needing to pull data from dozens of different systems, then focusing on more important strategic contributions like predicting skill shortages, managing global talent mobility, and developing the next leadership team is a challenge.

In a recent Deloitte study, 86% of companies revealed they do not have any analytics capabilities in HR. More than 40% of those respondents reported their companies were not ready to address this problem of talent and HR analytics.[1] So, it should be of no surprise to learn that

over the past year, only 15% of senior business leaders claim to have changed a business decision in response to some insight from HR.[2]

Over the past 10 years, the pace of change has been staggering. Expectations are for HR to at least keep pace, if not take the lead. Navigating change and staying relevant requires entirely new areas of expertise and an entirely new approach.

HR is being pushed into unfamiliar territory: facing competitive pressures directly.

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[1] Source: *Deloitte 2014 Human Capital Trends Survey*
[2] Source: *CHRO Quarterly First Quarter 2015*
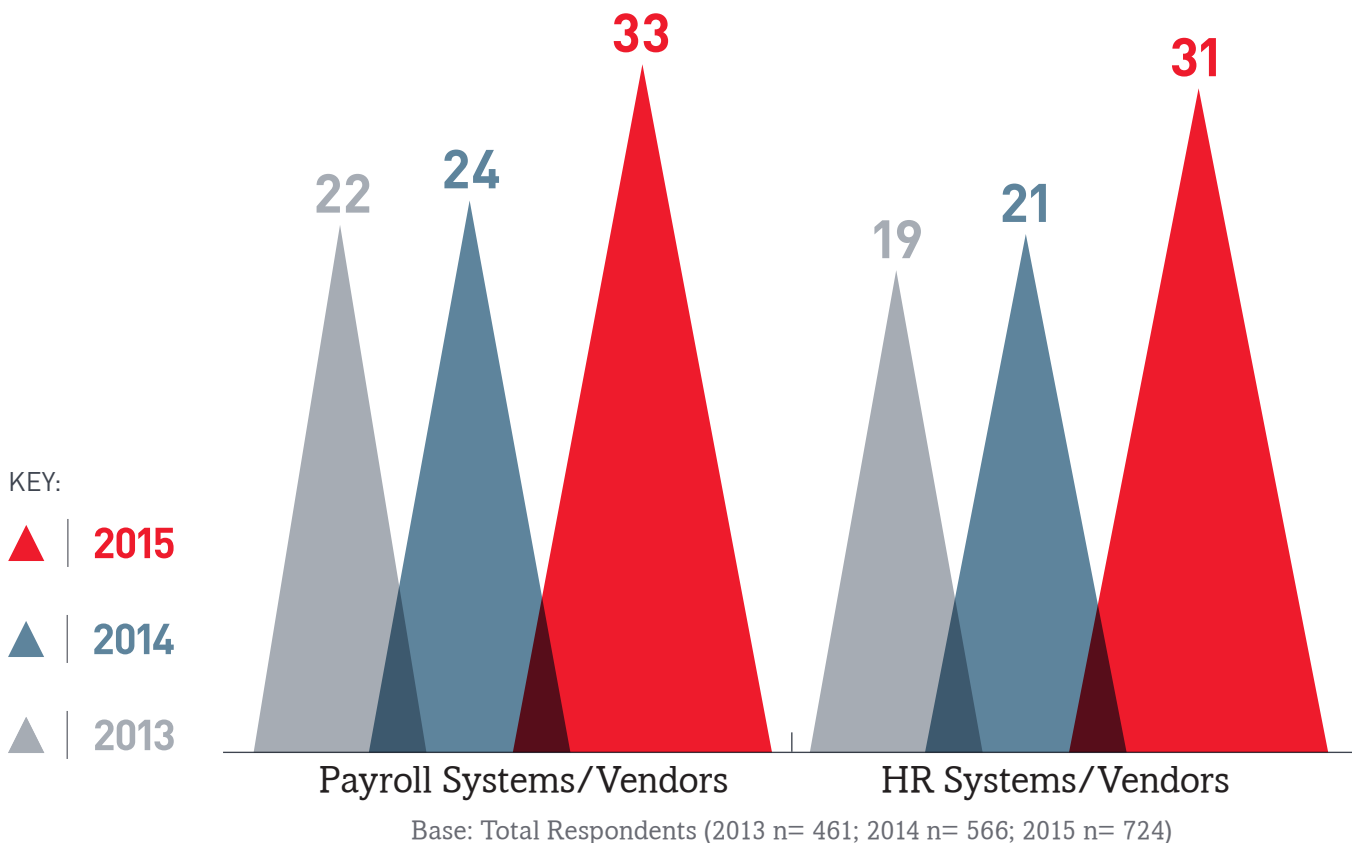
"Big Data" and the Need for System Unification

When is data "big?" When it is overwhelming. Any one company's data needn't be vast to be overwhelming. It just needs to be bigger than your existing capability to manage it effectively.

Global companies are now trying to manage, on average, 33 payroll systems and 31 HR systems. Some have more, and the number has grown 40% compared to last year. This suggests companies are applying precious resources to the art of managing systems instead of their workforce.

The ADP Research Institute's study reveals that companies in emerging markets such as Asia-Pacific and Latin America are managing 40-50 different systems each for payroll and HR.

With the number of disparate systems that exist, how do you collect data and make sense of it – much less come up with strategic insights that you can act upon?

AVERAGE NUMBER OF PAYROLL AND HR SYSTEMS/VENDORS USED WORLDWIDE

KEY:

▲ | **2015**

▲ | **2014**

▲ | **2013**

22   24   33   19   21   31

Payroll Systems/Vendors   HR Systems/Vendors

Base: Total Respondents (2013 n= 461; 2014 n= 566; 2015 n= 724)

A DESIRE FOR UNIFICATION

Global HR leaders in this study understand the issues. More than two-thirds want a more unified system – both in payroll and in HR. This is especially true in the Asia-Pacific region and in Latin America.

Unifying systems certainly means cleaner, more consistent data. It also means easier access to retrieving the data for informational purposes. In fact, having all the workforce data in one place globally takes Human Capital Management to entirely new levels. It enables companies to start doing workforce analytics and predictive modeling, increasing both efficiency and effectiveness across a global organization.

With this insight, HR can compare compensation structures across different organizational entities and can even advise the distribution of resources to focus on investment for a more appropriately engaged workforce aligned with organizational decisions.

In the first wave of HR transformation, the focus was on automation. The important second step – creating tools for making actionable decisions from data and reports – was largely overlooked. Original HCM systems from 15-20 years ago weren't designed for big data analytics or to integrate with others. Few, if any of them, are situated to assist with the overall corporate big data conundrum of analysis – at least not beyond their own isolated scope of information.

Now consider this situation in light of planned organizational initiatives...

2015 TOP 5 GLOBAL BUSINESS OBJECTIVES

1. Expand into new markets
2. Maintain global agility
3. Build top talent and leadership
4. Strategize for risk management
5. Develop workforce skills

GROWTH PLANS GROWING

The 2015 ADP Research Institute survey found the top five business objectives to be consistent with prior years. There is trending, though, in plans to expand via new markets and this trend will be of interest to HCM practitioners. Since 2013, when the need for expansion of business was equal with the need for adaptability for economic uncertainties, expansion has steadily gained in both 2014 and again in 2015 as business confidence increases.

This trend is critical for HR leaders in all size companies as expansion is the leading factor in every company size category with the exception of the largest (75K+ employees), where it ranked as the third most important objective.

While the results vary somewhat by region, the overall intention is clear: growing the business via new markets. Even before the first door is opened or facility purchased, there will be opportunities for HR to support the decision process, whether predicting workforce impact or the requirements for investment.

Change in the Global Footprint

PERCENT OF HR EXECUTIVES INDICATING AN INCREASE IN NUMBER OF INTERNATIONAL / FOREIGN EMPLOYEES

5K – 9.9K Employees
61%
61%
59%

10K – 24.9K Employees
67%
68%
54%

25K – 74.9K Employees
66%
54%
64%

75K+ Employees
57%
58%
65%

North America
62%
64%
64%

Europe
62%
54%
50%

Asia Pacific
72%
69%
57%

Latin America*
60%

* No trend data from '14-'13

KEY: **2015** · **2014** · **2013**

REGIONAL ECONOMICS PROVIDE POSSIBLE MOTIVATION

Parts of Europe are flirting with recession. The Asia-Pacific region is experiencing a "slowth" (growth but at a slower pace) which is somewhat of a new challenge. It is not surprising to see companies headquartered in these regions looking for growth opportunities outside their area where the need for systems consolidation and HCM analysis will be even more valuable. This trend adds to the need for flexibility among HR leaders as they prepare to manage more systems and new regulatory requirements from unfamiliar markets.

In North America, the outlook is very positive. 62% of HR executives say the number of employees outside their headquarters' country will increase in the next 1–2 years. Globally, this expectation is especially likely for larger companies (25K+ employees) where that expectation took a significant dip in 2014.

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TRENDS IN THE OBJECTIVES

The top five objectives were consistent across all size segments. Global agility and building/recruiting top leadership talent worldwide were identified as the second and third most important global business objectives.

Apart from the intention to expand into new markets, emphasis on the other four global business objectives trended lower year over year. This negative trend was most pronounced for the objective of developing a workforce with worldwide skills and global agility.

Before a company can enter a new geography or make an acquisition, the leadership must ask themselves, "Do we have the right people in place to make this successful?" In fact, 93% of CEOs around the globe say they need to change their talent strategy. Yet, only a third of those say they will actually do so.[3]

What would cause this disconnect? Is it because the resources to do so aren't in place?

Answering the disconnect between need and action is an opportunity for HR to take a stronger leadership role in HCM strategy development. The challenges outlined in the survey should be right in HR's sweet spot, and highlights the need for both data and people skills on the HR team.

TOP BUSINESS OBJECTIVES

	2013	2014	2015
1	Expand into new markets	Expand into new markets	Expand into new markets
2	Maintain global agility	Build top talent and leadership	Maintain global agility
3	Develop workforce skills	Maintain global agility	Build top talent and leadership
4	Build top talent and leadership	Strategize for risk management	Strategize for risk management
5	Strategize for risk management	Develop workforce skills	Develop workforce skills

2015 TOP 3 GLOBAL BUSINESS CHALLENGES

1. Talent management
2. Cultural differences
3. Performance management

Talent Management continues to be the overwhelming challenge that global companies face in managing their worldwide employees; in fact, half of the respondents cite talent management as their top challenge.

This will logically have a critical impact on global HR executives' ability to facilitate the primary business objective of new market expansion. Additionally, elements of Human Capital Management considered to have a high impact on managing global workforce challenges – acquisition, training and performance management – are driven by talent management.

For global companies, managing cultural differences and trying to build a unified business culture is an ongoing concern that will only increase as the objective of new market expansion is implemented. Accordingly, performance management was the challenge with the greatest trend increase from previous years.

WHAT IT MIGHT MEAN TO YOU

Which aspects of managing a global population of employees will have the greatest impact on business objectives? The choices here reflect a consistency with the earlier-defined objectives and challenges. Global HR executives surveyed placed talent acquisition and applicant tracking in the top spot.

Throughout this series of surveys, talent acquisition and tracking has been one of the top three impact areas, further indicating a connection with the plans for expansion observed each year. As one grows so does the need for the other. For HR and HCM practitioners, the three-year trend should be coming into clearer focus. Therefore, an opportunity is also created to invest in better talent management and tracking as well as performance management of these new employees.

HR executives also showed definite preferences regarding which HR solution components would be the most critical for impacting their companies' global business performance.

- **HR executives in companies with 10K – 74.9K employees identified talent tracking and succession planning on a worldwide basis as their top HR solution component.**
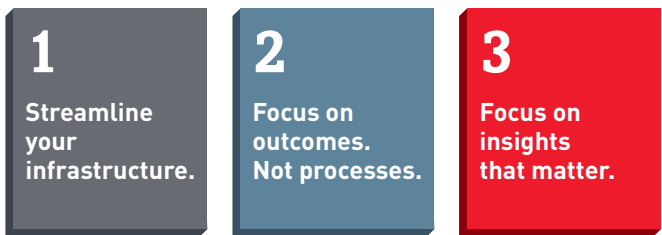
- **HR executives in Latin America ranked tracking employee performance worldwide on a single system as the most important component.**

Conclusions

Strengthening the infrastructure is clearly a critical first component. Too many HR and payroll systems hamper the efficient application of employee data transactions. The ability to manipulate that data into organizational insight and understanding is even more complicated – assuming the resources exist to cobble the information together after cleaning up the ongoing transactional challenges. Plus, an acquisition or new market entry typically introduces yet another divergent system.

Expectations are for HR to support global growth and expansion. In larger companies, HR needs to build and maintain the business's agility. In all of these, HR's analytical acumen will be a key element for succeeding. HR not only has to have the skills, but the tools and the access to data as well.

SO, THE RECOMMENDATION IS SIMPLE – SIMPLIFY!

1 Streamline your infrastructure.

2 Focus on outcomes. Not processes.

3 Focus on insights that matter.

Reduce the number of HR and payroll systems. Reduce the need for maintaining and understanding the idiosyncrasies of separate systems. Reduce the resources needed to consolidate data for the purposes of reporting and analyzing. Reduce the complexity so that you can manage the coming challenges and expectations as the company pursues the global expansion needed for growth and success.

In this way, HR exemplifies understanding of bigger business issues as well as how HCM initiatives and resources can be strategically applied to facilitating success. HR can take on a stronger leadership role as well as boosting both its and the organization's value.

WHAT IF ... YOU'RE NOT PLANNING ON GLOBAL EXPANSION?

- **Do you need to worry about system consolidation?**

- **How many systems do you already have?**

- **Are they contributing to your decision to not expand and hampering your growth?**

- **Do you expect to never expand again?**

- **Consider that there is a strong chance companies outside your home country are looking to expand – into YOUR market. Will they target your best people?**

RESEARCH METHODOLOGY

The ADP Research Institute conducted its third annual Global Human Capital Management (HCM) Decision-Makers Survey in December 2014 among 725 HR decision-makers in global multinational organizations with 5,000 or more employees worldwide. The study universe included senior leaders across Asia Pacific, Europe and the Americas. A statistically projectable sample of respondents was interviewed, split between four groups by size: global MNC's with 5,000 to 9,999; 10,000 to 24,999; 25,000 to 74,999, and 75,000+ total employees worldwide. The resulting data achieved statistical reliability at the 95% confidence level both overall and in each of the size groups and regions.

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The ADP Research Institute provides insights to leaders in both the private and public sectors regarding issues in Human Capital Management (HCM), employment trends, and workforce strategy.

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