HCI Optimize Your Talent Strategy

ÜKG

The Great Reset
How High-Performing Organizations Build HR Business Partnerships to Thrive in the Resilience Economy

TABLE OF CONTENTS

EXECUTIVE SUMMARY

The unfolding of recent events, including the economic and social changes wrought by the global pandemic, has amplified the importance and necessity of the HR function. A robust set of HR practices can support employee productivity and engagement, assist the workforce in meeting regulatory and safety obligations, all while helping to deliver the organization's strategy, even in times of rapid change. HR alone, however, can't produce these outcomes for an organization. It can only be responsive to the emerging needs of the business by working more closely with it.

> We are living in a new, 'resilience economy' in which uncertainty has become the norm, and change is constant. This requires a new level of agility from both HR practitioners and people managers.

For this reason, effective HR-business partnerships are more indispensable than ever before. But building and maintaining close collaborative relationships between HR professionals and the people managers with whom they work takes effort, and not all are successful. Fewer than a quarter of all organizations strongly agree that their HR practitioners and people managers work well together. Earlier research from HCI has offered insight into the most critical factors shaping these partnerships and provided steps for increasing the credibility of HR professionals with their internal partners.[1] In the current environment, however, gaining credibility, however, is only part of what's truly needed.

We are living in a new, 'resilience economy' in which uncertainty has become the norm, and change is constant. This requires a new level of agility from both HR practitioners and the people managers with whom they work to anticipate, rather than simply react to fluctuating needs of the business and its people. High value partnerships that set clear priorities through continuous communication and collaboration are now indispensable for sustaining organizations. It's time to reset the HR-business partnership to allow the organization to thrive through change.

UKG (Ultimate Kronos Group) and HCI have partnered to uncover the tactics that create successful partnerships. By studying the contrasts in practices between high-performing organizations and their peers, this research uncovers three key challenges to building high-value strategic HR-business partnerships, and offers their solutions:

✔ Close confidence and credibility gaps by pursuing opportunities to grow your strategic HR capabilities.

✔ Build more collaborative relationships by advising and supporting the needs of your people managers while helping them to develop their HR acumen.

✔ Make effective use of data by identifying the tools and measures that are right for your organization, and that enable the collection, analysis, and communication of data.

WHY NOW IS THE BEST TIME FOR A STRATEGIC RESET OF THE HR-BUSINESS PARTNERSHIP

When the pandemic first arrived, many were uncertain about how it would affect their organizations and the lives of their people. Massive disruptions to the economy and the social and psychological impacts of social distancing were yet to unfold. In a matter of weeks, businesses and organizations across every industry were facing an existential threat. Radical shifts in the marketplace prompted the abrupt transformation of the entire workforce.

For most businesses, updating employee policies to include mask requirements, and keeping headcounts in line with changing revenue were only the beginning of a long list of difficulties. Facilitating remote work, addressing new government laws and relief measures, enabling new safety procedures, and helping employees cope with change and the symptoms of burnout all climbed to the top of organizational priorities.

To effectively overcome these challenges, every organization needs strong partnerships between the HR function and the business to synchronize their response to rapidly evolving conditions. For this reason, the capabilities of HR leaders and their impact are drawing renewed attention.[2, 3] But the call for HR to work more strategically and collaboratively with the business went out long before the current crisis. For more than two decades, HR has been encouraged to do more to create value by working more closely with other business functions. Unfortunately, this has proven easier said than done. Many HR professionals still struggle for legitimacy with people managers.[4] Similarly, limitations on sharing or redistributing the work that has been

traditionally the provenience of HR has prevented HR roles from more fully engaging the business.[5]

And yet, those organizations that have strong HR capabilities and embed HR expertise across business units have long held a competitive advantage.[6] This has never been more true than right now. Thriving in this new resilience economy requires a strategic reset of HR-business partnerships that can optimize the agility of the workforce and harmonize the needs of the business with the capabilities of its people.

Advice for better business partnering has often remained high level and lacking in specifics. So, what are the practical steps your organization can take to modernize its HR-business partnerships? HCI and UKG studied high-performing organizations to understand what works for addressing barriers to success. We identified three key challenges, and their solutions, that can reset HR-business partnerships at your organization at a time when it's needed most.

THE PRACTICES OF HIGH-PERFORMING ORGANIZATIONS

Organizations that report more favorable talent and business outcomes also report stronger HR-business partnerships. Overall, only 1 in 5 (22%) strongly agree that HR practitioners and people managers work well together at their organization. However, those with higher scores on HCI's index for high-performing organizations (HPOs), are significantly more likely to view these partnerships as effective.[7]

The HPO index is based on 14 self-reported outcome measures used to evaluate the relative strength and weakness of organizations represented in the survey sample. The index includes seven talent indicators (investments in training, internal mobility, employee engagement, diversity and inclusion, quality of hire, retention, and leadership bench strength) and seven critical business dimensions (customer satisfaction, regulatory compliance, talent attraction, innovation, profitability, shareholder value, and productivity). Scores from these items are aggregated to create a composite score.

Those scoring 52 or greater on this inventory are identified as high-performing organizations (HPOs). In this study, 26% of the sample are scored as HPOs. Although HPO status had no relationship with

demographic variables including industry, size of the organization, or the functional area or seniority of the survey respondent, their practices for building high-value, strategic HR-business partnerships were clearly differentiated from those at other organizations.

It isn't just that HPOs have a more positive view of HR-business partnerships, it's that the HR professionals who work for these organizations also indicate higher confidence in their abilities (Figure 1).[8] These abilities underpin four strategic HR capabilities that support and enhance HR-business partnerships.[9] HR professionals must understand the business, consult and collaborate well with business leaders, use data to inform their work, and apply current and best practices in talent management to create strategy-based solutions.

HR professionals at HPOs clearly know the business. They are much more confident in their knowledge of both the business and talent strategies for their organization, and they are competent in their efforts to explain these to employees. These HR professionals are similarly confident in their understanding of HR best practices, their ability to identify key data to answer important questions, and their outreach to internal stakeholders, to solve for problems and create targeted solutions.

FIGURE 1 **Significant differences only. How confident are you in your ability to do the following at work?** *(Very and Extremely confident.)*

High-Performing Organizations   All Other Organizations

	High-Performing Organizations	All Other Organizations
Explain your organization's vision, business strategy, and goals to all employees	84%	56%
Know how the talent strategy drives the strategic goals of the organization	76%	39%
Explain my organization's top three strategic priorities	73%	36%
Create plans and initiatives to manage change	71%	52%
Use my understanding of best practices in business and talent management to set priorities	71%	51%
Build trust by responding to stakeholder needs and maintaining open communication	71%	52%
Identify what sets your organization's strategy and financial goals apart from our industry competitors	60%	33%
Use credibility with business leaders and colleagues to gain influence and buy-in for talent initiatives	56%	37%
Identify key data and expertise to answer important organizational questions	53%	31%
Consult with others to determine the root causes of our business and talent challenges	51%	41%

SOLVE THREE CRITICAL CHALLENGES TO RESET HR-BUSINESS PARTNERSHIPS

HR professionals at high-performing organizations have found a path to becoming more confident and capable in their role, and for contributing to more effective HR-business partnerships. But their success in these efforts shouldn't imply that they weren't met with challenges. When asked about the things that stand in the way of developing and sustaining these partnerships, respondents from both HPO and other organizations provided a wide range of answers (Figure 2).

Conflicting priorities between HR and people managers tops their list of difficulties (35%), but the relatively even distribution of the remaining responses shows no specific pattern. Whether they struggle with a lack tools and technology (29%), inadequate access to professional development (24%), or a lack of buy-in from senior leaders for HR initiatives (23%), few respondents report the same combination of issues, suggesting that the barriers to effective HR-business partnerships are specific to each organization.

Despite this, however, there are still some overarching themes that help point the way forward. Each of these problems relates to three critical challenges that need to be solved to successfully reset HR-business partnerships:

✔ Gaps in strategic HR knowledge, skills, and abilities

✔ Weak relationships and poor collaboration

✔ Ineffective use of data and tools

Key practices at high-performing organizations indicate the action steps in each of these areas that HR professionals and people managers alike can apply in their own businesses.

FIGURE 2

What are the current, top challenges for developing and sustaining HR and business partnerships at your organization? *(Select no more than five.)*

Challenge	Percentage
Conflicting priorities	35%
Lack of technological infrastructure to support internal processes and sharing of information	29%
Lack of a clearly defined strategy	28%
Lack of professional development	24%
Insufficient staffing	23%
Lack of senior leader buy-in for HR initiatives	23%
Role ambiguity	23%
Inconsistent efforts to monitor progress on shared goals	23%
Ambiguous business processes	19%
Conflicting operational processes	19%
Lack of manager buy-in for HR initiatives	19%
Critical lapses in HR knowledge among managers	17%
Inadequate project or time management	16%
Lack of employee buy-in around organizational directives	15%
Interpersonal dashes	12%
Lack of HR buy-in for strategic business initiatives	12%
HR and people managers talk past each other (no shared terminologies or concepts)	10%
Critical lapses in business knowledge among HR practitioners	9%

Strategic HR Knowledge, Skills, and Abilities

The Challenge—Gaps in Strategic HR Knowledge, Skills, and Abilities

> "There are still credibility issues within some HR departments. What's the root cause for that? Unfortunately, we have either not been honest with ourselves with the fact that we have a knowledge gap, or, we've made a decision not to address it."
>
> —Dan Reece, Director of Workforce Planning and Analytics, U.S. Department of Housing and Urban Development

When gaps are exposed in the knowledge, skills, or abilities of HR professionals, these can undermine their potential to deliver value for their organization and threaten their credibility with the people managers and business leaders with whom they work. Building back this credibility begins with learning how the organization does business. HR professionals need a complete understanding of how the organization fulfills its mission or makes its money to align HR solutions with business problems.
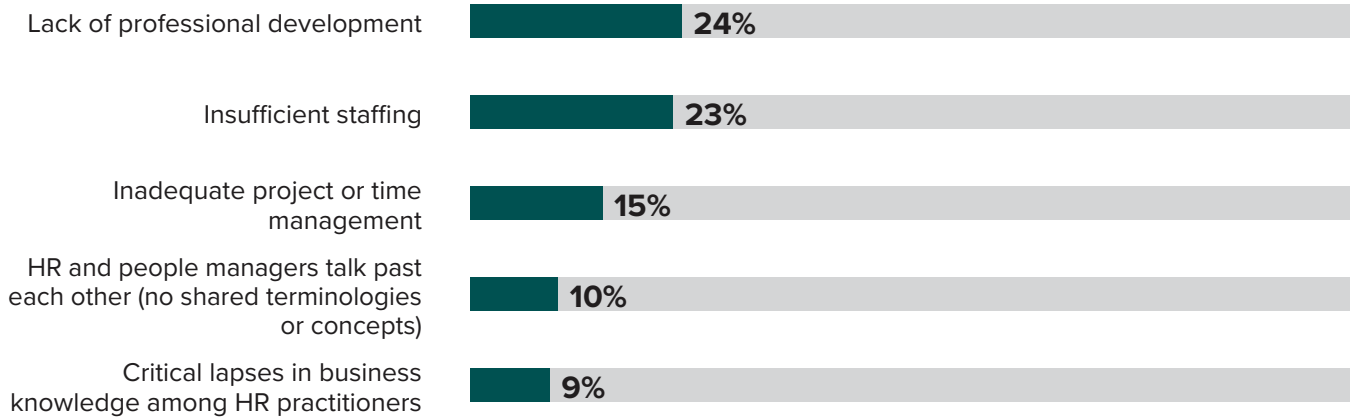
But these solutions also need to be built on a solid foundation of HR expertise. Not only do HR professional require an up-to-date knowledge of trends in evidence-based HR practices, they need to maintain skills that help them identify the right measures for assessing problems and monitoring progress, and for communicating clearly with internal stakeholders using the lexicon of business and finance.

> "We need to work with our people managers so that when a position, an opportunity, or a problem comes their way and they're thinking, 'Who do I want in the room to help solve this?' Among the first they need to invite is HR."
>
> —Casey Stevenson, Director of Talent Management, Masergy

Only a thin segment of survey respondents indicated that lapses in business acumen are among the most important challenges for HR at their organization (9%). Similarly, a few report disconnects in the language or concepts used by HR and people managers in their conversations. But taken together with other data points, these are signs of persistent barriers to building strategic HR knowledge, skills, and abilities (Figure 3).

A quarter of all survey respondents indicate they lack the professional development necessary for sustaining HR-business partnerships at their organizations. Insufficient staffing and inadequate project or time management only exacerbate these problems, adding to the opportunity costs of acquiring and accelerating strategic HR capabilities.
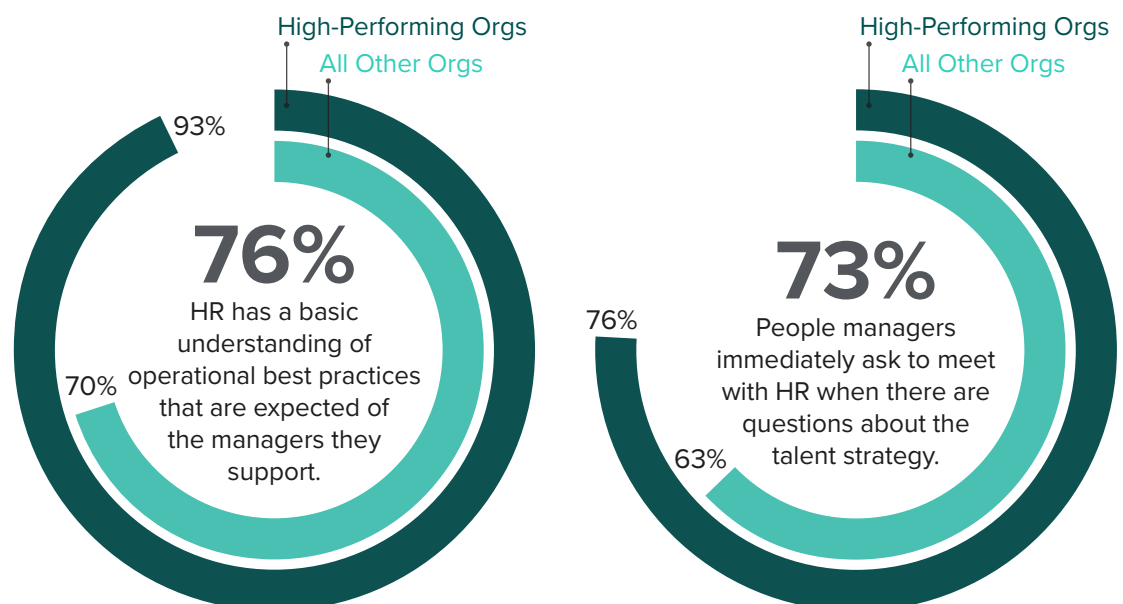
FIGURE 3 **What are the current, top challenges for developing and sustaining HR and business partnerships at your organization?** *(Select no more than five.)*

Lack of professional development — **24%**

Insufficient staffing — **23%**

Inadequate project or time management — **15%**

HR and people managers talk past each other (no shared terminologies or concepts) — **10%**

Critical lapses in business knowledge among HR practitioners — **9%**

High-performing organizations are doing more to address these challenges, and as a result, their HR function holds greater credibility with business leaders. Not only are HR professionals at these organizations more likely to have an understanding of the operational best practices that are expected by the people managers they support, but these people managers, in turn, are more likely to consult HR to supply answers or information about their organization's talent strategy.[10]

FIGURE 4 **Please rate your level of agreement with the following.** *(Percent of total responses which "Somewhat agree" and "Strongly agree" with breakdown by HPO status.)*

High-Performing Orgs
All Other Orgs

93%

76%
HR has a basic understanding of operational best practices that are expected of the managers they support.

70%

High-Performing Orgs
All Other Orgs

73%
People managers immediately ask to meet with HR when there are questions about the talent strategy.

76%

63%

> "It's very difficult for an HR professional to be an effective partner if you don't have emotional intelligence or empathy. If you don't have the ability to be flexible and to accommodate the varied conversational or interactive styles of the individuals you're working with, then you're in the wrong line of work."
>
> —Dan Reece, Director of Workforce Planning and Analytics, U.S. Department of Housing and Urban Development
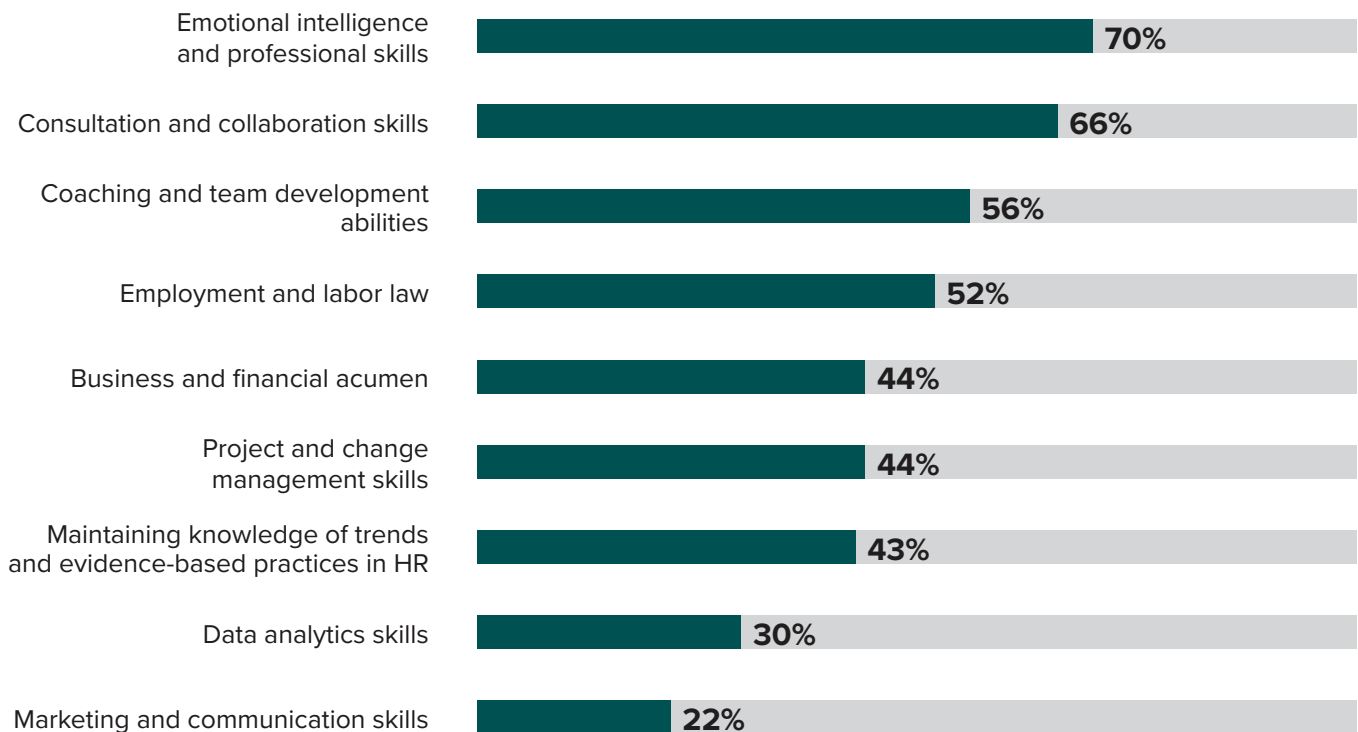
The Solution—Grow Strategic HR Capabilities

HR professionals already know what they need in order to do their jobs well and improve their internal partnerships. What they often lack are the opportunities they need to grow their strategic HR capabilities. When asked which knowledge, skills, and abilities are most needed by HR to be considered a successful partner to the business, respondents were clear on their priorities (Figure 5).

A large majority of HR professionals indicate their attention to people and relationships is paramount, stressing emotional and professional skills that assist in their communication efforts (70%). Setting the right tone in conversations between HR and business managers is important, but ultimately, it's about communicating the right message. Communication becomes influence when the critical analysis of data, business and financial acumen support the conversation. Pursuing professional development across each of these areas to maintain a holistic skill set and a better understanding of both business and talent needs is essential for resetting and modernizing HR-business partnerships.

FIGURE 5

How important do you feel the following knowledge, skills, and abilities are for HR to be considered a successful partner to the business? *(Extremely Important.)*

Emotional intelligence and professional skills	70%
Consultation and collaboration skills	66%
Coaching and team development abilities	56%
Employment and labor law	52%
Business and financial acumen	44%
Project and change management skills	44%
Maintaining knowledge of trends and evidence-based practices in HR	43%
Data analytics skills	30%
Marketing and communication skills	22%

High-performing organizations are more likely to emphasize the importance of skills that extend HR's influence throughout the organization (Figure 6).[11] They place greater significance not only on consultation and collaboration skills, but also on coaching skills that enable them to act as trusted advisors to the people managers with whom they work. Gaining this trust is vital and allows HR at these organizations to help guide managers through workforce issues as they arise, while also building plans for their future workforce needs.

Well-constructed talent plans limit reactive decisions on the part of either HR or managers, but these often require monitoring and modification to keep pace with the evolving needs of the business. HR professionals at HPOs recognize that work and people are ever-changing. They are more likely to focus on maintaining their knowledge of emerging trends and best practices for talent management to help their organizations pivot their talent strategy when necessary.

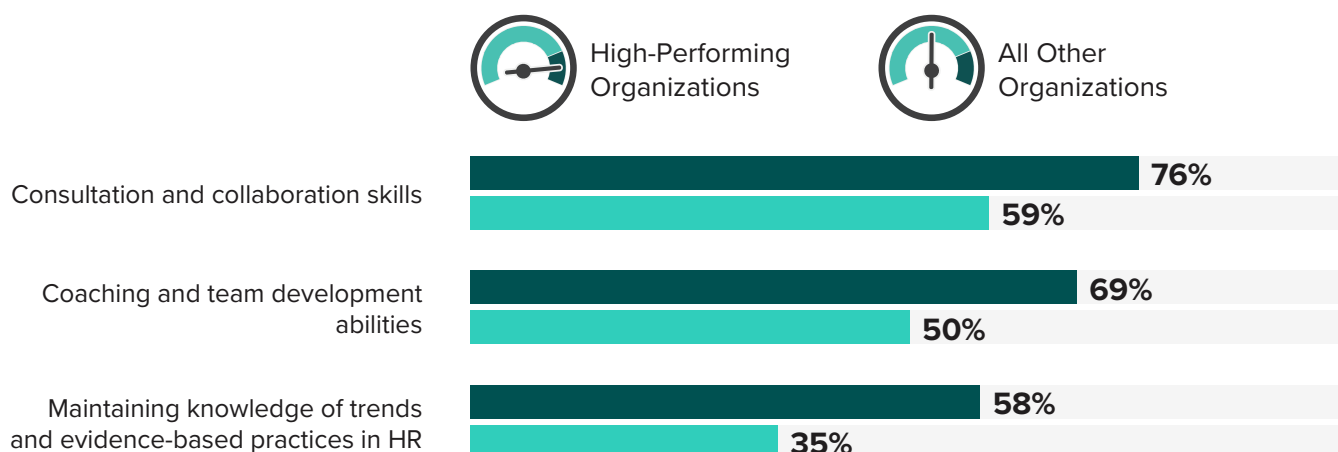FIGURE 6

Significant contrasts only. How important do you feel the following knowledge, skills, and abilities are for HR to be considered a successful partner to the business? *(Extremely Important.)*

High-Performing Organizations

All Other Organizations

Consultation and collaboration skills
76%
59%

Coaching and team development abilities
69%
50%

Maintaining knowledge of trends and evidence-based practices in HR
58%
35%

Knowing which knowledge, skills, and abilities are important doesn't necessarily mean that there are opportunities for their development. Most organizations invest in some kind of professional development, but not all of that investment is perceived as adequate to the demands of HR roles and the effort of sustaining HR-business partnerships (Figure 7). Less than half of the HR professionals surveyed agree that they receive sufficient support across any of the strategic HR capabilities they view as important.
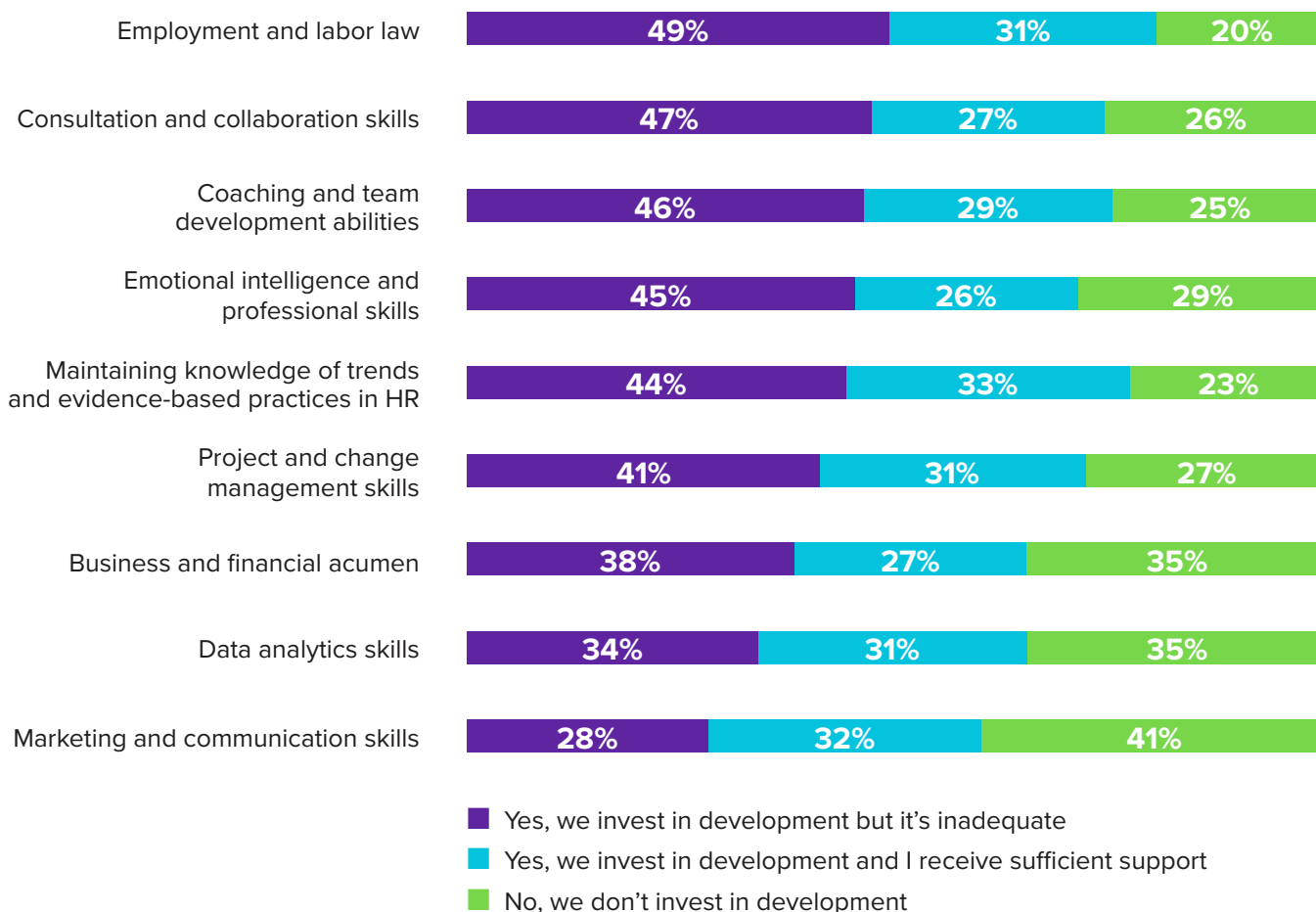
HCI Optimize Your Talent Strategy
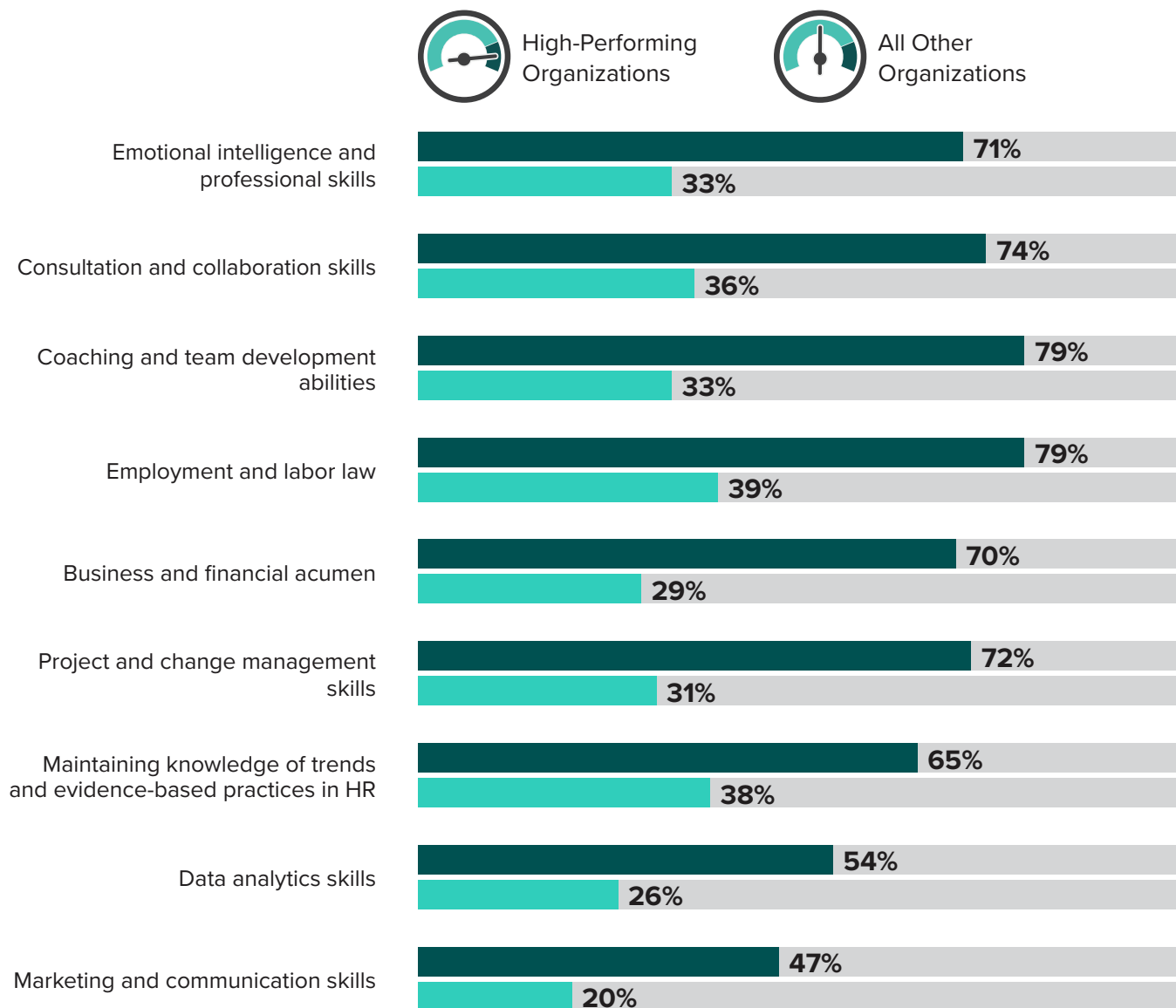
ÜKG

FIGURE 7

How important do you feel the following knowledge, skills, and abilities are for HR to be considered a successful partner to the business? *(Extremely Important.)*

Employment and labor law	49% · 31% · 20%
Consultation and collaboration skills	47% · 27% · 26%
Coaching and team development abilities	46% · 29% · 25%
Emotional intelligence and professional skills	45% · 26% · 29%
Maintaining knowledge of trends and evidence-based practices in HR	44% · 33% · 23%
Project and change management skills	41% · 31% · 27%
Business and financial acumen	38% · 27% · 35%
Data analytics skills	34% · 31% · 35%
Marketing and communication skills	28% · 32% · 41%

■ Yes, we invest in development but it's inadequate
■ Yes, we invest in development and I receive sufficient support
■ No, we don't invest in development

This picture changes for high-performing organizations. They understand the value of effective HR-business collaboration and continue to invest in the development of their HR professionals to support and sustain these partnerships (Figure 8).[12] This investment is targeted to provide the greatest support to the skills HR professionals identify as the most important in these efforts. High-performing organizations do more to enhance opportunities for keeping current in evidence-based practices (65% vs. 35% all others), employment and labor law (79% vs 39% all others), and business and financial acumen (70% vs. 29% all others). Not only that, but HPOs tend to offer the most support around coaching and team development (79% vs. 33% all others), and the consulting and collaboration skills (74% vs. 36% all others) that HR professionals identify as key in building and sustaining HR-business partnerships.

FIGURE 8 **Does your organization invest in your individual development in the following areas?** *(Yes, I receive sufficient support.)*

High-Performing Organizations

All Other Organizations

Emotional intelligence and professional skills
71%
33%

Consultation and collaboration skills
74%
36%

Coaching and team development abilities
79%
33%

Employment and labor law
79%
39%

Business and financial acumen
70%
29%

Project and change management skills
72%
31%

Maintaining knowledge of trends and evidence-based practices in HR
65%
38%

Data analytics skills
54%
26%

Marketing and communication skills
47%
20%

"The recipe for success is pretty similar whether you're in the public or the private sector. The most important ingredient for that recipe is to have staff that have the technical HR expertise, but who then also know the business….Once you understand the business as a human capital or human resource professional, you'll have a much better understanding of how to translate a business need through an HR lens and identify what you can do to help that business line be successful in meeting their goals."

—Dan Reece, Director of Workforce Planning and Analytics, U.S. Department of Housing and Urban Development

> "When it comes to strategy and alignment, those HR professionals that are always sitting at headquarters away from the front-line managers, can miss understanding the specific needs of various business units. So HR needs to reach out to their partners and do a better job of explaining why the business needs them."
>
> —Matt Charney, Recruitment Solutions and Strategy Leader, Quantum Work

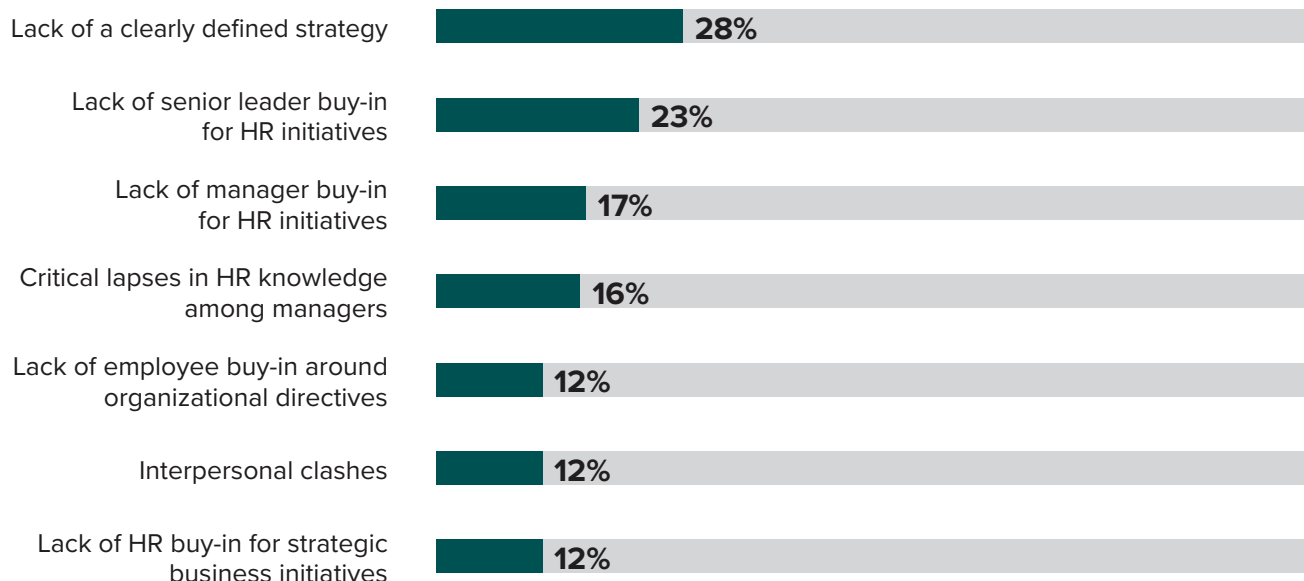## Consultative and Collaborative Relationships

The Challenge—Weak Relationships and Poor Collaboration

A lack of investment in the development of strategic HR capabilities carries consequences for the strength of HR-business partnerships, setting up barriers to truly collaborative relationships between HR and business leaders. A lack of buy-in for HR or business initiatives at any level can be indicative of either a miscommunication of intent or a misunderstanding of needs (Figure 9). The absence of a clearly defined strategy doesn't serve to improve this situation. Still, it isn't always possible to differentiate the actual lack of a strategy from simply the uneven or incomplete communication of strategy across stakeholders.

These problems are symptomatic of weak relationships and poor communication across the entire organization and speak to a need for more considerable attention to improving processes for continuous feedback and mutual support between HR and the business.

FIGURE 9

What are the current, top challenges for developing and sustaining HR and business partnerships at your organization? *(Select no more than five.)*

Lack of a clearly defined strategy — 28%

Lack of senior leader buy-in for HR initiatives — 23%

Lack of manager buy-in for HR initiatives — 17%

Critical lapses in HR knowledge among managers — 16%

Lack of employee buy-in around organizational directives — 12%

Interpersonal clashes — 12%

Lack of HR buy-in for strategic business initiatives — 12%

HPOs are doing more to support collaborative relationships between HR and the business. They are more likely to report the close exchange of communication between people managers and HR practitioners (84% vs. 61% all others). This communication isn't restricted to the day-to-day details of work, but likely extends to more interpersonal efforts, including the exchange of performance feedback (58% vs. 37% all others) that can enhance their working relationships (Figure 10).

FIGURE 10 **Please rate your level of agreement with the following.** *(Percent of total responses which "Somewhat agree" and "Strongly agree" with breakdown by HPO status.)*

High-Performing Orgs
All Other Orgs

84%

67%
At my organization, there is close communication between people managers and HR practitioners.

61%

High-Performing Orgs
All Other Orgs

39%
Overall, HR and people managers give each other performance feedback to improve their working relationships.

37%

58%
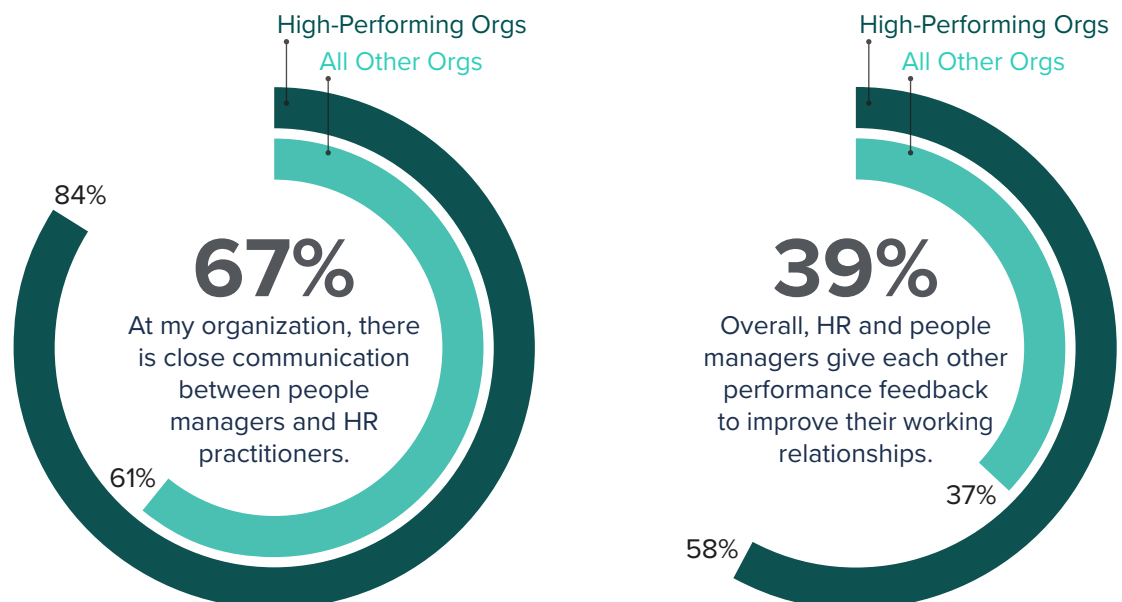
"You have to build rapport and credibility with people managers so that when it comes time for difficult conversations, they already know that I understand what the constraints are, what their budget is, how they need to work in this business and in today's market."
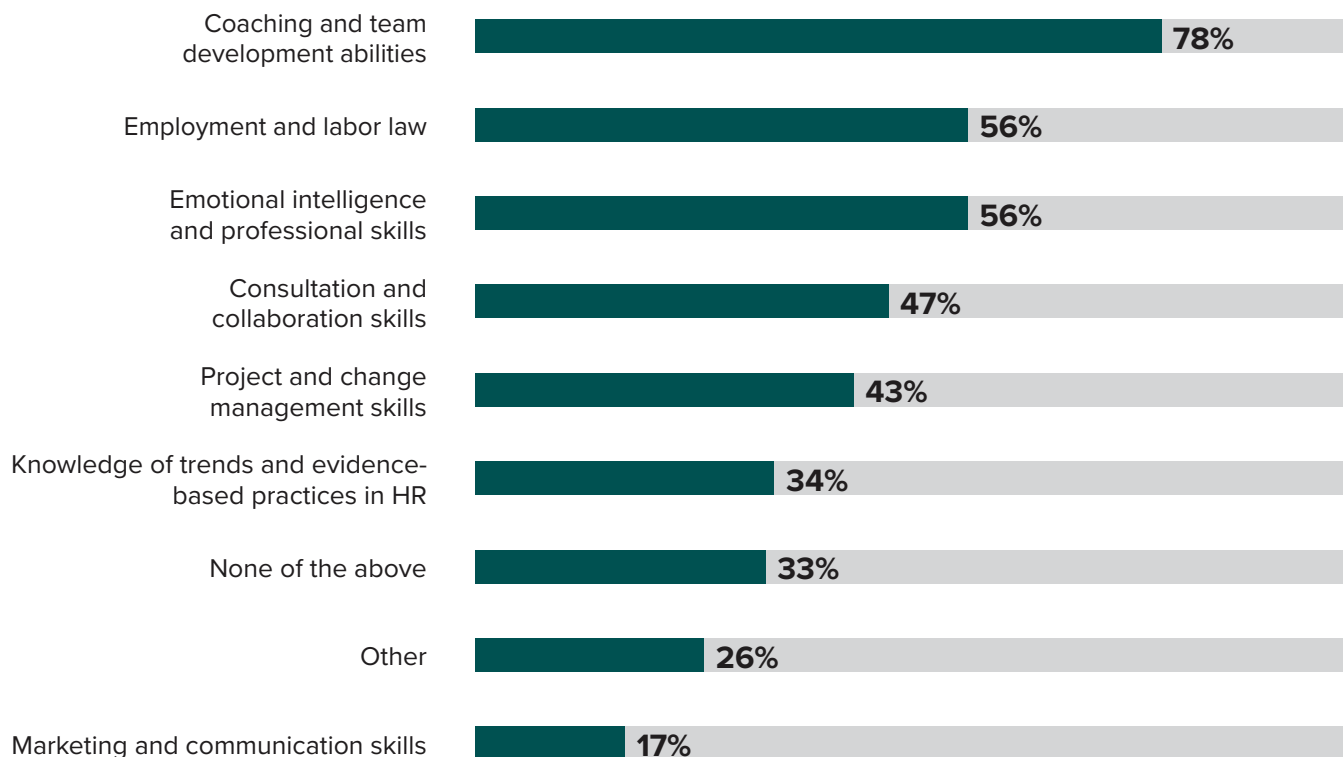
—Casey Stevenson, Director of Talent Management, Masergy

The Solution—Support, Advise, and Develop People Managers

Feedback between HR and the people managers with whom they work can take many forms. It doesn't always rely on formal review mechanisms. Instead, HR can advise, inform, and offer development to people managers when it's needed or desired. Often, HR provides support to people managers in similar domains as the strategic HR capabilities they require in their work (Figure 11). This sharing of knowledge and information provides a common ground for their conversations and fills gaps in critical HR knowledge needed by people managers.

FIGURE 11

In which of the following areas, does HR provide people managers with training, development, and support? *(Select all that apply.)*

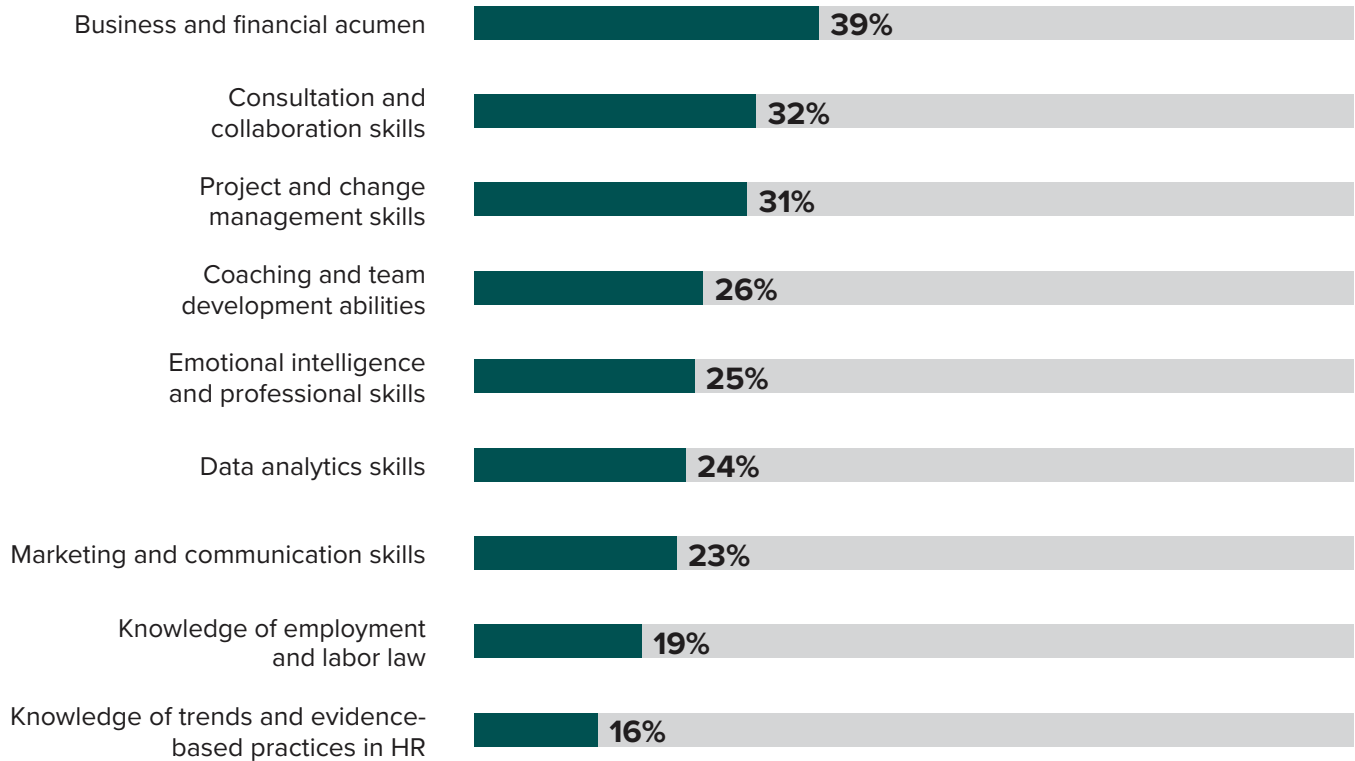| Area	%
Coaching and team development abilities	78%
Employment and labor law	56%
Emotional intelligence and professional skills	56%
Consultation and collaboration skills	47%
Project and change management skills	43%
Knowledge of trends and evidence-based practices in HR	34%
None of the above	33%
Other	26%
Marketing and communication skills	17%

"Our job in HR is to coach, counsel, and advise. We need to let managers know that we're here to assist them. We don't want to take over their jobs, we're here to help them leverage their employees' abilities, to help them meet their financial goals, minimize grievances, improve team communication. We are here as a resource to assist them in their efforts."

—Michelle Shelton, Chief Human Resource Officer, Marion County Oregon

Even though HR professionals commit resources to develop their people managers in these areas, there are still critical disconnects between their efforts and the confidence they have in their people managers' knowledge, skills, and abilities. Unfortunately, less than two in five respondents report that they are either very or extremely confident in their people managers' abilities (Figure 12). That number drops to one in four for high-value skills, including data analytics, emotional intelligence, and team development.

Optimize
Your
Talent
Strategy

HCI

ÜKG

FIGURE 12

In general, how confident are you in your people managers' knowledge, skills, and abilities in the following areas? *(Very and Extremely Confident)*

Area	
Business and financial acumen	39%
Consultation and collaboration skills	32%
Project and change management skills	31%
Coaching and team development abilities	26%
Emotional intelligence and professional skills	25%
Data analytics skills	24%
Marketing and communication skills	23%
Knowledge of employment and labor law	19%
Knowledge of trends and evidence-based practices in HR	16%

Once again, the story is radically different for HPOs. HR professionals at these organizations are significantly more likely to report confidence in their people managers' capabilities in these areas (Figure 13).[13] It's important to note, however, that despite this improved confidence, the proportion of respondents from any organization who are very or extremely confident in their managers' capabilities remains relatively low. These ratings signal room for improvement and suggests that even more attention is needed to strengthen working relationships and improve collaboration.
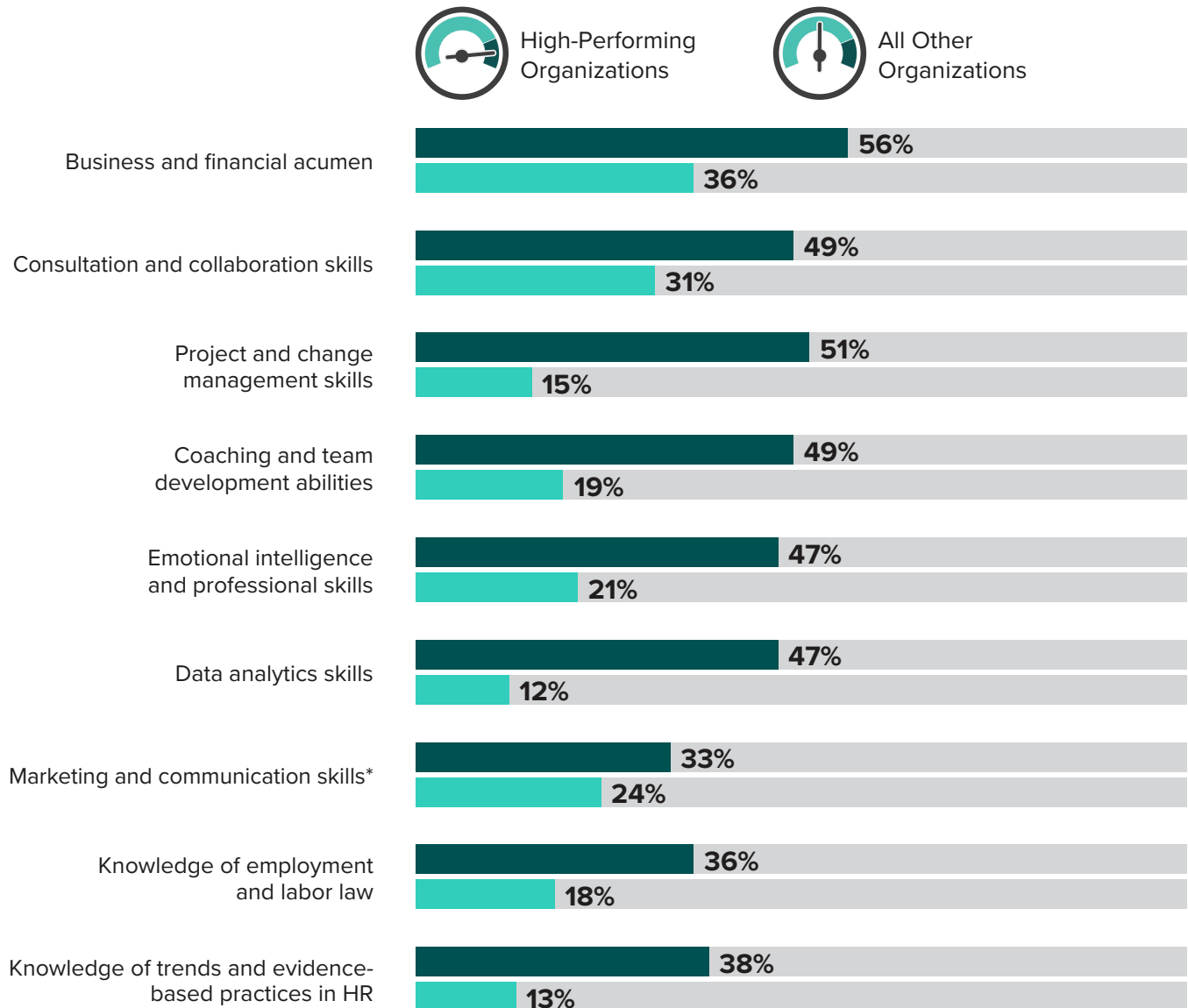
FIGURE 13

In general, how confident are you in your people managers' knowledge, skills, and abilities in the following areas? *(Very and Extremely Confident)*

High-Performing Organizations   All Other Organizations

Business and financial acumen
56%
36%

Consultation and collaboration skills
49%
31%

Project and change management skills
51%
15%

Coaching and team development abilities
49%
19%

Emotional intelligence and professional skills
47%
21%

Data analytics skills
47%
12%

Marketing and communication skills*
33%
24%

Knowledge of employment and labor law
36%
18%

Knowledge of trends and evidence-based practices in HR
38%
13%

*This item is the only response that is not statistically significant.

> "Every time a manager calls you or comes to see you, that's an opportunity. When that happens, it's like somebody opened the door, just a crack. It's my job to open that door wider and show you everything HR can do for them"
>
> —Casey Stevenson, Director of Talent Management, Masergy

> "HR should do their homework before outreach begins with a business client and their management team. You want to be aware of any issues both good and bad and then set up an intake meeting to talk about the solutions HR can offer using language the business understands."
>
> —Dan Reece, Director of Workforce Planning and Analytics, U.S. Department of Housing and Urban Development

Finding room for improvement can be difficult given the time crunch faced by most people managers and HR professionals. Anticipating opportunities to offer feedback, provide development, and build conversations that support the business allows these stakeholders to maximize their investment in strong HR-business partnerships. In most organizations, HR and the people managers with whom they work collaborate around specific HR issues in a fairly predictable cadence. The frequency of their interaction is related to broader patterns of talent management, budgeting, and operational and strategic planning cycles within their organizations (Figure 14).

Each of these activities provides a point of contact for building trust, offering feedback, and investing in stronger partnerships. Examine the pattern of meetings and timelines for deliverables that are shared between HR and people managers at your organization to help you anticipate opportunities to build dialogue and enrich conversations. Prepare for these meetings in advance and bring resources to these discussions. Deliver data, insights, and information that can demonstrate the value of HR initiatives and offer alternatives to people managers that help them reach goals while working within their operational constraints.

FIGURE 14 **How often do you meet with your people managers to discuss and plan for the following?** *(All survey respondents)*

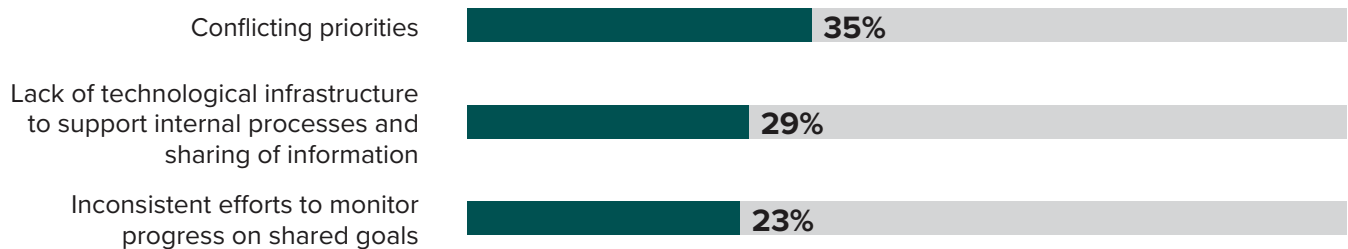|	Daily/ Continuous	Monthly/ Weekly	Quarterly	Annually
Sourcing, recruiting, and hiring	34%	31%	18%	4%
Onboarding	28%	24%	17%	10%
Scheduling and staffing	27%	25%	16%	6%
Employee and team performance management	27%	27%	21%	15%
Retention and engagement	25%	23%	23%	14%
Learning and development	25%	21%	26%	15%
Payroll	20%	28%	5%	11%
Employee experience and employee value proposition	20%	14%	25%	16%
Inclusion, diversity, and belonging initiatives	16%	15%	20%	16%
Layoffs and outplacement	16%	10%	11%	10%
Strategic workforce planning	15%	13%	24%	21%
Headcount and labor costs planning	15%	21%	17%	19%
Leadership development and succession planning	13%	12%	27%	27%
Benefits administration	11%	11%	13%	33%
Labor union negotiations	6%	6%	4%	11%

Effective Use of Data and Tools

The Challenge—Ineffective Use of Data and Tools

Even when HR professionals can lay claim to the analytics skills they require, they still report challenges acquiring data, monitoring progress on goals, and accessing the tools they need to make sense of the numbers (Figure 15). As a result, they are more likely to struggle with conflicting priorities when there's no clear read on the workforce data.

FIGURE 15 **What are the current, top challenges for developing and sustaining HR and business partnerships at your organization?** *(Select no more than five.)*

Conflicting priorities **35%**

Lack of technological infrastructure to support internal processes and sharing of information **29%**

Inconsistent efforts to monitor progress on shared goals **23%**

HPOs report fewer problems in this area (Figure 16). They are more likely to use tools to facilitate communication between HR and people managers (71% vs. 53% all others). These conversations can assist a virtuous cycle in which data becomes the primary focus of conversations between HR and people managers, helping them clarify priorities and align business and talent strategies.[14]

FIGURE 16 **Please rate your level of agreement with the following.** *(Percent of total responses which "Somewhat agree" and "Strongly agree" with breakdown by HPO status.)*

High-Performing Organizations

All Other Organizations

56%
My organization successfully uses tools to facilitate communication among HR and people managers.

71%

53%

High-Performing Organizations

All Other Organizations

27%
Data is the primary focus of conversations among HR practitioners and people managers.

26%

47%

"Don't complain about needing a seat at the table. Go and earn it. Show how you add value to the organization by showing how you reduce costs and support revenue generation. Then back that up with facts and data."
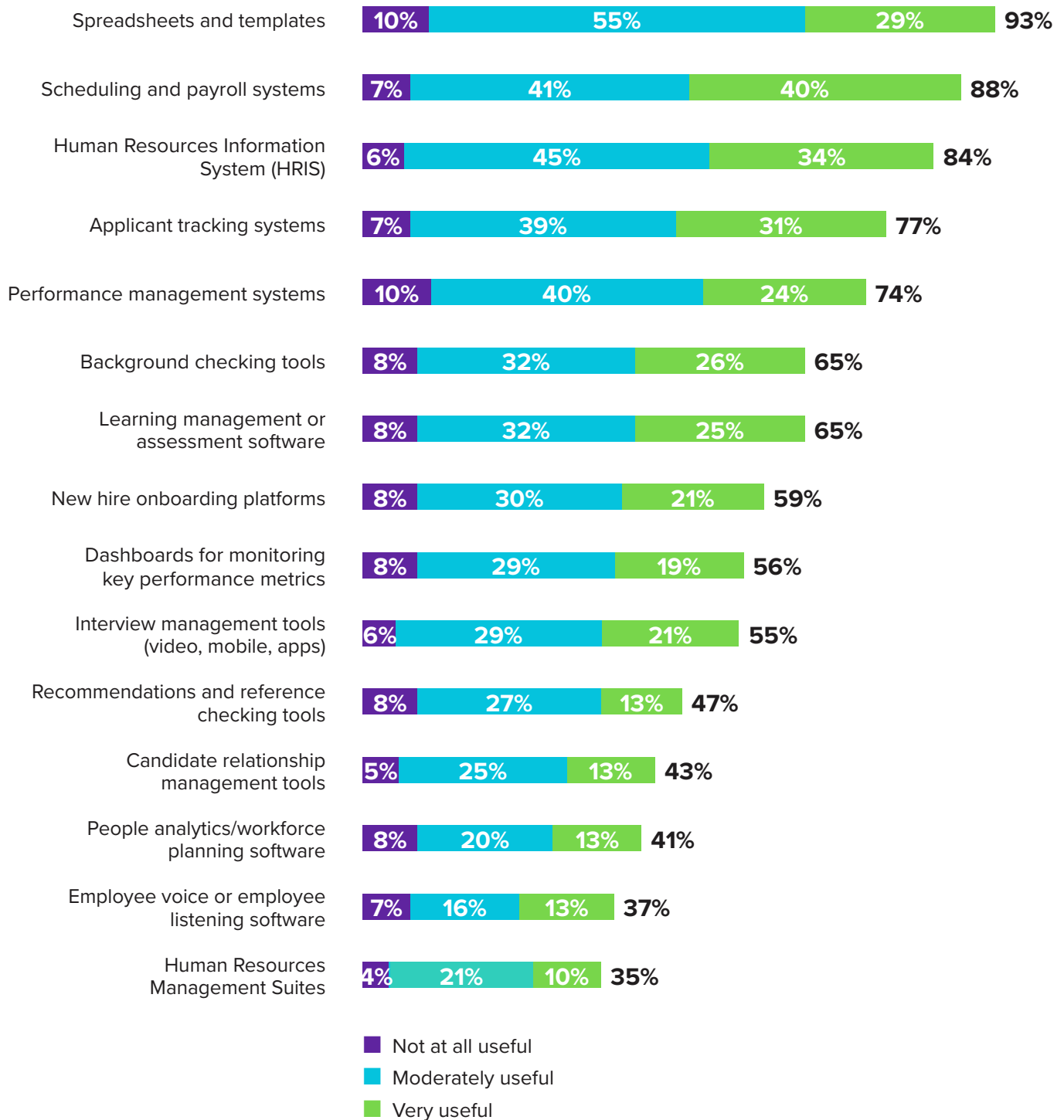
—Michelle Shelton, Chief Human Resource Officer, Marion County Oregon

The Solution—Identify the Tools and Measures That Are Right for Your Organization

Simply having more tools and data isn't necessarily the solution. Instead, identifying the measures and tools that are relevant to creating, sustaining, and monitoring its strategic initiatives is what matters. For example, spreadsheets, scheduling and payroll systems, and HR information systems are among the most commonly used tools across all organizations; but that doesn't mean they always work well. Only 2 in 5 respondents describe their scheduling and payroll system as "very useful." This proportion decreases to fewer than a third for all other types of digital tools (Figure 17). The addition of different tools for specific needs may not allow the coordination of information from other systems, which can further limit their functionality.

FIGURE 17

How useful are the following tools for the talent and organizational decisions HR and people managers make together? In other words, does the technology have functionality and data that enables better conversations and decision-making among HR practitioners and people managers?
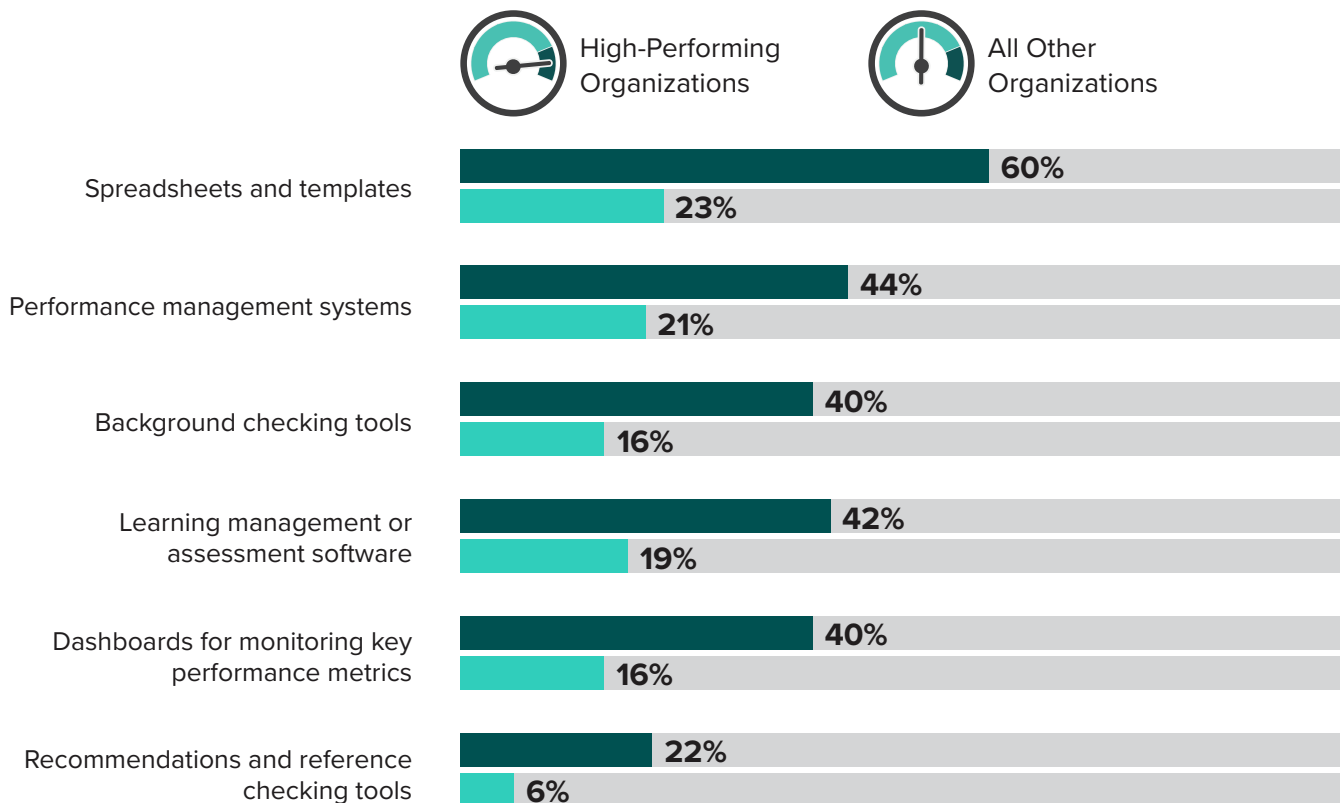
Tool	Not at all useful	Moderately useful	Very useful	Total
Spreadsheets and templates	10%	55%	29%	93%
Scheduling and payroll systems	7%	41%	40%	88%
Human Resources Information System (HRIS)	6%	45%	34%	84%
Applicant tracking systems	7%	39%	31%	77%
Performance management systems	10%	40%	24%	74%
Background checking tools	8%	32%	26%	65%
Learning management or assessment software	8%	32%	25%	65%
New hire onboarding platforms	8%	30%	21%	59%
Dashboards for monitoring key performance metrics	8%	29%	19%	56%
Interview management tools (video, mobile, apps)	6%	29%	21%	55%
Recommendations and reference checking tools	8%	27%	13%	47%
Candidate relationship management tools	5%	25%	13%	43%
People analytics/workforce planning software	8%	20%	13%	41%
Employee voice or employee listening software	7%	16%	13%	37%
Human Resources Management Suites	4%	21%	10%	35%

- ■ Not at all useful
- ■ Moderately useful
- ■ Very useful

> "Challenge your team to learn and understand data. Get them familiar with the tools they need to do that."
>
> —Casey Stevenson, Director of Talent Management, Masergy

HPOs are no more or less likely to use the same tools as all other organizations, but they are more likely to select tools that align with their organizations' needs (Figure 18).[15] For example, most organizations have access to spreadsheets and databases. While these aren't considered to be very sophisticated tools, when they are developed and structured appropriately, they may offer a solution for aligning variables and communicating measures and indicators across the organization. In addition, high-performing organizations appear to be more adept at integrating these tools with the rest of their digital infrastructure to optimize their performance and enhance collaboration.
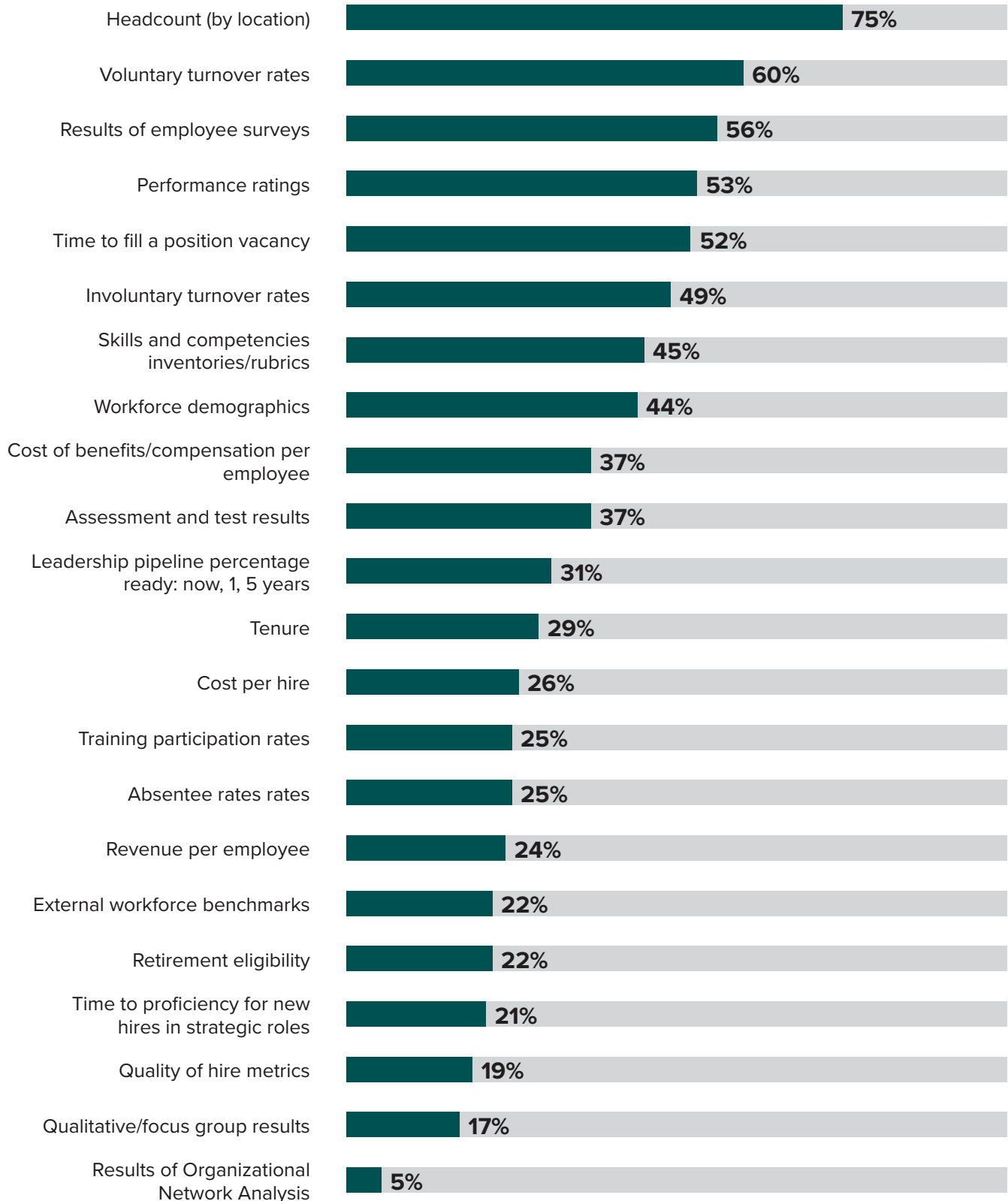
FIGURE 18

How useful are the following tools for the talent and organizational decisions HR and people managers make together? *(Very useful; significant contrasts only.)*

High-Performing Organizations

All Other Organizations

Tool	High-Performing Organizations	All Other Organizations
Spreadsheets and templates	60%	23%
Performance management systems	44%	21%
Background checking tools	40%	16%
Learning management or assessment software	42%	19%
Dashboards for monitoring key performance metrics	40%	16%
Recommendations and reference checking tools	22%	6%

When tools become a bridge instead of a barrier to better HR-business partnerships, it becomes easier to collect data, measure progress, and report results. There were no significant contrasts in the types of data the HR professionals and people managers use to make talent and organizational decisions together. The frequency with which certain data is collected corresponds to their shared cadence of activities with headcount and turnover rates topping the list, followed by employee surveys and performance data to understand the impact of business decisions on the workforce (Figure 19). High-performing organizations, however, rely on more data overall, drawing on more data points to provide context for their decisions.[16]

FIGURE 19

What data do HR practitioners and people managers use to make talent and organizational decisions together? *(Select all that apply.)*

Headcount (by location)	75%
Voluntary turnover rates	60%
Results of employee surveys	56%
Performance ratings	53%
Time to fill a position vacancy	52%
Involuntary turnover rates	49%
Skills and competencies inventories/rubrics	45%
Workforce demographics	44%
Cost of benefits/compensation per employee	37%
Assessment and test results	37%
Leadership pipeline percentage ready: now, 1, 5 years	31%
Tenure	29%
Cost per hire	26%
Training participation rates	25%
Absentee rates rates	25%
Revenue per employee	24%
External workforce benchmarks	22%
Retirement eligibility	22%
Time to proficiency for new hires in strategic roles	21%
Quality of hire metrics	19%
Qualitative/focus group results	17%
Results of Organizational Network Analysis	5%

RESET HR-BUSINESS PARTNERSHIPS TO BUILD A HIGH-PERFORMING ORGANIZATION

Effective HR-business partnerships are essential for coordinating and optimizing the response of the organization and its people to the radical changes characterizing the new resilience economy. High-performing organizations are more aggressive in their efforts to build and sustain these partnerships, but that doesn't mean they don't suffer the same challenges as other organizations—they just deal with them differently. Follow their lead. Solve for these three critical challenges, to reset HR-business partnerships, build a high-performing organization, and thrive in the new resilience economy.

THE CHALLENGE	THE SOLUTION
Gaps in strategic HR knowledge, skills, and abilities	**Grow strategic HR capabilities** Develop HR professionals in the skills HR professionals consider most important for successfully partnering with the business. Build their coaching abilities, strengthen their analytics, business, and financial acumen, and help them maintain their knowledge of trends in evidence-based HR practices.
Weak relationships and poor collaboration	**Support, advise, and develop people managers** Leverage a predictable cadence of meetings and touchpoints between HR and people managers to offer additional support and development. Encourage HR professionals to anticipate meetings with their business partners and come prepared with relevant insights into the issues at hand, and resources and information that may be needed by the people managers to help inform their decisions and work better with their teams.
Ineffective use of data and tools	**Identify the tools and measures that are right for your organization** Search for tools that can work well with other applications or offer the opportunity to integrate information across the organization's digital infrastructure. This allows HR and people managers to collect more data, share information more readily, and use data to drive their decisions.

ABOUT THE RESEARCH

This research report includes insights and analysis from secondary research, a custom survey, and interviews. HCI researchers interviewed the following subject-matter experts were interviewed as part of this effort:

- ✔ **Michelle Shelton**, Chief Human Resource Officer, Marion County Oregon

- ✔ **Casey Stevenson**, Director of Talent Management, Masergy

- ✔ **Dan Reece**, Director of Workforce Planning and Analytics, US Department of Housing and Urban Development

- ✔ **Matt Charney**, Recruitment Solutions and Strategy Leader, Quantum Work

From May 21st to June 19th, 2020, a survey link was distributed via e-mail to opt-in members of HCI's Survey Panel and electronic mailings. Duplicate entries and careless or partial survey responses were filtered out of the dataset, for a total of 241 respondents. Of these, 75% are headquartered in North America. Only categories describing at least 5% of the survey sample are displayed below.

Survey Respondent Demographics

Function	
Human Resources	47%
Partner to the business (HRBP)	12%
Learning and Development	9%
Talent Management or Organizational Development	8%
Other and People Managers	5%

Level of Responsibility	
I manage my own work and contribute to teams and projects	33%
I manage my own work and lead a team of people	26%
I am responsible for a business unit or function	23%
I lead and am responsible for other people managers below me	9%
I am responsible an entire organization	8%

Number of Employees	
Fewer than 100	19%
> 100 and ≤ 500	21%
> 500 and ≤ 1,000	10%
> 1,000 and ≤ 5,000	18%
> 5,000 and ≤ 10,000	11%
> 10,000 and ≤ 50,000	15%
> 100,000	6%

Industry	
Professional, Scientific, and Technical Services	15%
Other Services (except Public Administration)	12%
Finance and Insurance	12%
Healthcare and Social Assistance	10%
Manufacturing	10%
Public Administration	10%
Educational Services	8%

Endnotes

1. Filipkowski, J. (2019). *Talent Pulse: How to Influence Strategic Decisions*. https://www.hci.org/research/talentpulse61

2. Caminiti, S. (April 22, 2020). How the Coronavirus Crisis Has Elevated the Role of HR Chiefs in the C-Suite. *CNBC* [news story]. https://www.cnbc.com/2020/04/22/the-coronavirus-is-elevating-the-role-of-hr-chiefs-in-the-c-suite.html

3. Brower, T. (June 7, 2020). HR's Compelling New Role in Response to the Coronavirus. *Forbes*. https://www.forbes.com/sites/tracybrower/2020/06/07/hrs-compelling-new-role-in-response-to-the-coronavirus/#47c565947f8e

4. Heizmann, H. (2019). O Partner, Where Art Thou? A Critical Discursive Analysis of HR Managers' Struggle for Legitimacy. *International Journal of Human Resource Management*. 30(13), pp. 2026-2048. https://www.tandfonline.com/doi/abs/10.1080/09585192.2017.1314974

5. Chung, D., Sandholtz, K. & Waisberg, I. (2019). The Double-Edged Sword of Jurisdictional Entrenchment: Explaining HR Professionals' Failed Strategic Repositioning. *Organization Science*. https://www.doi/10.1287/orsc.2019.1282

6. Strack, R. et al. (2014, December 14). Creating People Advantage 2014-2015: How to Set Up Great HR Functions. [Blog post]. https://www.bcg.com/en-us/publications/2014/organization-human-resources-creating-people-advantage.aspx

7. HPO index score versus 5-point Likert scale response to "Overall, HR practitioners and people managers work effectively together at my organization." r^s = .323, $p < .01$

8. HPO index score versus 5-point Likert scale response to the following:
Explain your organization's vision, business strategy, and goals to all employees: r^s = .276, $p < .01$;
Know how the talent strategy drives the strategic goals of the organization: r^s = .306, $p < .01$;
Explain my organization's top three strategic priorities: r^s = .255, $p < .01$;
Use my understanding of best practices in business and talent management to set priorities: r^s = .208, $p < .01$;
Build trust by responding to stakeholder needs and maintaining open communication: r^s = .248, $p < .01$;

Identify what set your organization's strategy and financial goals apart from our industry competitors: r^s = .280, p < .01;
Use credibility with business leaders and colleagues to gain influence and buy-in for talent initiatives: r^s = .260, p < .01;
Identify key data and expertise to answer important organizational questions: r^s = .303, p < .01
Consult with others to determine the root causes of our business and talent challenges: r^s = .198, p < .01.

9. Since 2004, HCI has researched what the most effective HR and talent management professionals do to drive value. Know the Business, Consult and Collaborate, Use Data for Insights, and Create Strategy-Based Solutions are the four Strategic HR Capabilities identified through our research. Building these strategic capabilities strengthens the connection between the business and HR. The specific knowledge and skills that make up these four capabilities are taught and practiced in our certification programs and reinforced at HCI conferences and in HCI's digital resources.

10. HPO index score versus 5-point Likert scale response to the following:
HR has a basic understanding of operational best practices that are expected of the managers they support: r^s = .225, p < .01;
People managers immediately ask to meet with HR when there are questions about the talent strategy: r^s = .168, p = .03.

11. HPO index score versus 5-point Likert scale response to the following:
Consultation and collaboration skills: r^s = .188, p = .01;
Coaching and team development skills: r^s = .273, p < .01;
Maintaining knowledge of trends and evidence-based practices in HR: r^s = .232, p < .01.

12. HPO index score versus 5-point Likert scale response to the following:
Emotional intelligence and professional skills: r^s = .272, p < .01;
Consultation and collaboration skills: r^s = .258, p < .01;
Coaching and team development skills: r^s = .295, p < .01;
Employment and labor law: r^s = .337, p < .01;
Business and financial acumen: r^s = .383, p < .01;
Project and change management skills: r^s = .301, p < .01;
Maintaining knowledge of trends and evidence-based practices in HR: r^s = .285, p < .01;
Data analytics skills: r^s = .281, p < .01;
Marketing and communication skills: r^s = .285, p < .01.

13. HPO index score versus 5-point Likert scale response to the following:
Business and financial acumen: r^s = .247, p < .01;
Consultation and collaboration skills: r^s = .233, p < .01;
Project and change management skills: r^s = .314, p < .01;
Coaching and team development skills: r^s = .282, p < .01;
Emotional intelligence and professional skills: r^s = .260, p < .01;
Data analytics skills: r^s = .306, p < .01;
Employment and labor law: r^ss = .240, p < .01;
Maintaining knowledge of trends and evidence-based practices in HR: r^s = .296, p < .01;

14. HPO index score versus 5-point Likert scale response to the following:
My organization uses tools to facilitate communication among HR and people managers. r^s = .324, p < .01;
Data is the primary focus of conversations among HR practitioners and people managers: r^s = .281, p < .01.

15. HPO index score versus 5-point Likert scale response to the following:
Spreadsheets and templates: r^s = .251, p < .01;
Performance management systems: r^s = .227, p = .01;
Background checking tools: r^s = .253, p < .01;
Learning management or assessment software: r^s = .298, p < .01;
Dashboards to monitor key performance metrics: r^s = .251, p = .01;
Recommendations and reference checking tools: r^s = .395, p < .01;

16. r^s = .169, p = .03

ABOUT THE RESEARCH PARTNERS

UKG

Building on 70 years of experience from two leaders in HR solutions, UKG™ combines the strength and innovation of Ultimate Software and Kronos®. UKG delivers best-in-class HR and workforce management in an unmatched suite of solutions and services, backed by people who care about yours. Our solutions create global workforce experiences that reflect the true connection between life and work. That means insights are deeper, work is easier, and interactions are more meaningful—delivering breakthrough outcomes for businesses and the people that move them forward.

HCI Human Capital Institute

We founded HCI on three core beliefs:

- ✔ Aligning human capital strategy with business strategy is the greatest accelerator of organizational success.
- ✔ Organizations that align human capital strategy with business strategy outperform others.
- ✔ Human Resources and talent management professionals with the right strategic skill sets and mindsets are uniquely positioned to enable organizations to do this.

The key to this success lies in HR professionals' ability to become strategic partners in their business by planning, recruiting, engaging, and developing their people. Since 2004, we have built our research-based learning resources on your behalf to achieve that mission. Our certifications, conferences, and on-demand content build strategic capabilities that drive personal and organizational transformation. Learn more at **hci.org**.

Publication date: September 9, 2020

1130 Main Street | Cincinnati, OH 45202

www.hci.org