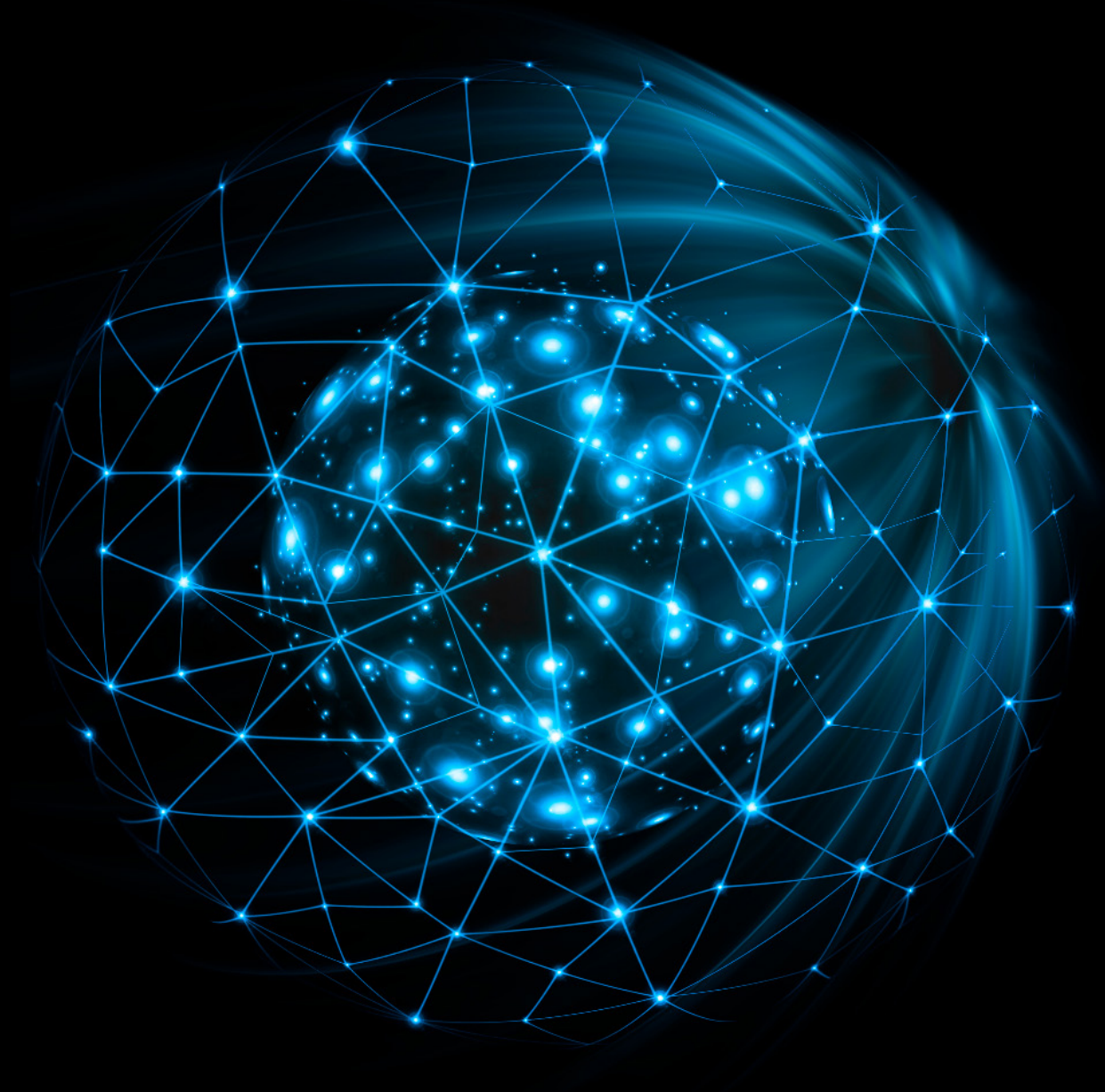


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## **Disrupting the status quo:**

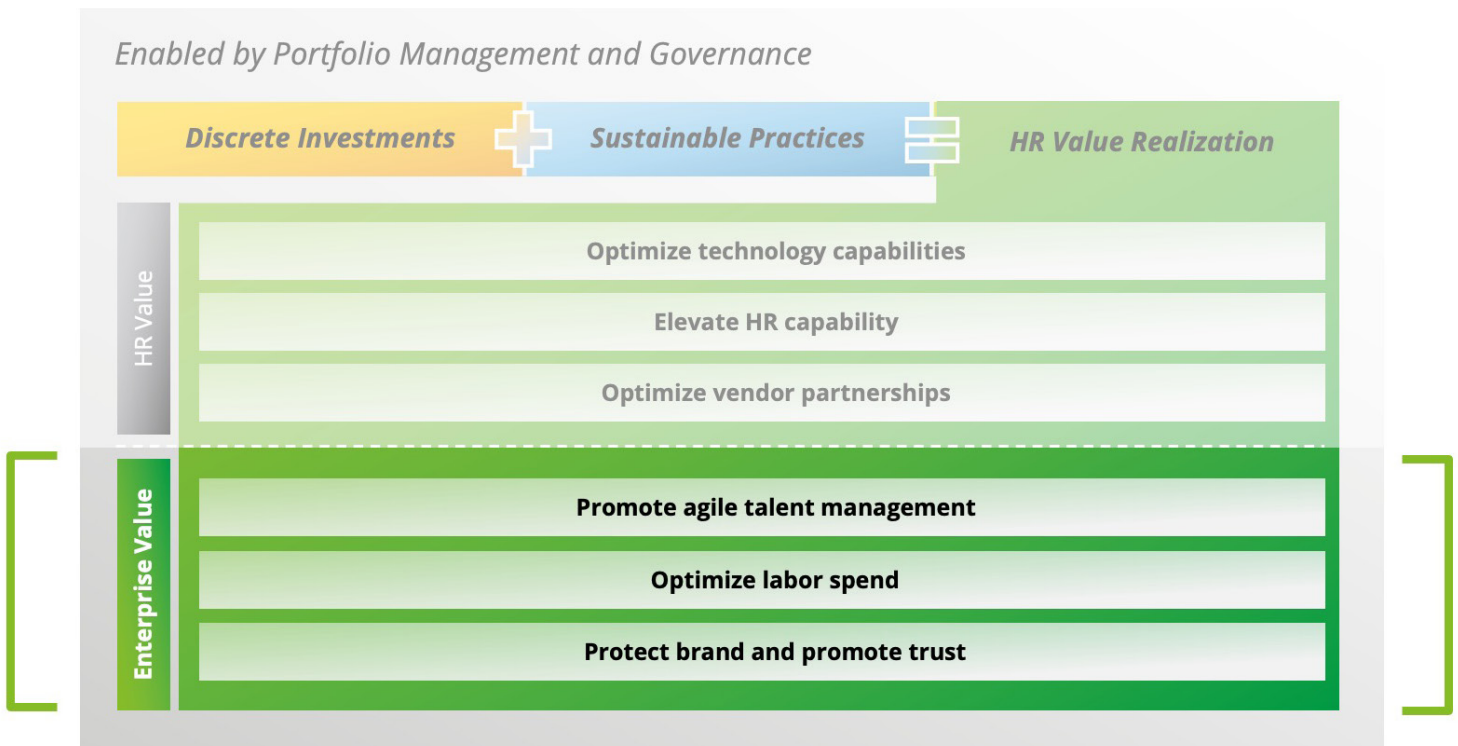
Unlocking HR's value across  
the enterprise

# Sustainable practices maximize delivered value

In the first part of the three-part series, [Disrupting the status quo: The path to unlocking HR's value](#), we explored the challenges HR leaders face in achieving the full return on their investments. Beyond ensuring HR is focused on bringing the "right value" to enable the organization to achieve its desired business outcomes, we highlighted the importance of complementing discrete investments in HR services or tools with intentional, sustainable practices. Sustainable practices encompass the HR capabilities and routines needed to sense the effectiveness of their services, anticipate changing business needs or market conditions, and continuously innovate to adjust based on that feedback loop, in real time.

In part two, we'll explore three areas where HR leaders aspire to create value for the enterprise but are often falling short. For each, we'll outline the sustainable practices HR leaders can put in place to fully realize the intended value of their investment, as well as offer case studies to illustrate how this has come to life at other organizations.

Sustainable practices encompass the HR capabilities and routines needed to sense the effectiveness of their services, anticipate changing business needs or market conditions, and continuously innovate to adjust based on that feedback loop, in real time.



Focus area 1: Promote agile talent management



Value to the business

Today's talent landscape is continuously evolving. As business needs change, workforce expectations have become a moving target and talent availability is a recurring conversation. Over the next three years, 73% of business executives expect to continue to experience talent shortages, and 70% of those respondents say they are getting creative about sourcing for skills rather than just considering job experience.<sup>1</sup> At the center of all of this, HR is expected to engage the business in deliberate discussions to define the talent requirements needed to drive business outcomes.

By engaging in these direct conversations and promoting agile talent management practices, HR can help drive business value by taking the following key actions:

HR actions/drivers	Organizational value/outcomes
Enhance talent mobility across the enterprise and improve individual career mobility	Increased financial performance
Optimize deployment of skills and capabilities, aligned with worker interest	Workers are aligned with their interests and the evolving needs and priorities of the business
Deliver a positive worker experience to strengthen the ability to attract and retain talent	Further mitigate disruption and drive operational efficiency

Key investments HR should consider

To achieve this businesses value, HR should consider doing more to incorporate talent in business discussions, decisions, and processes. The discussion around talent needs to shift focus from roles to skills and capabilities needed to complete work (and create business value). This means taking an end-to-end view in defining how work is done and by whom, as well as how workers are managed, led, and supported by HR and leaders through areas such as compensation and performance management.

To make the shift from roles to skills and create more agile ways of organizing work, HR needs to lead the business in a few key areas:

- Establish common organizational language around skills and how you want to use them, defining why skills are important, what skills are functionally specific, and developing skill categories (soft skills, digital skills etc.).
- Encourage the integration of a skills-based view of short- and long-term business needs into any business transformation.
- Build an infrastructure around skills such as a “skills hub,” an engine of skills data, technology, governance, and more to power decisions about work and the workforce.
- Fractionalize work into projects or tasks that evolve with changing business needs, allowing workers to more easily find specific opportunities to apply relevant skills.

### How to sustain these investments

By adopting an agile, talent-focused mindset, HR can lead intentional talent discussions on skills and capabilities instead of just headcount and roles, effectively decoupling work from jobs. But shifting HR's mindset—and organizational expectations of HR's role in talent—won't happen overnight. It will take time and commitment to implement a new mindset and approach. To promote agile talent management, HR leaders will need to redefine common HR practices by asking the following questions:

- Can talent reviews be restructured to focus on discussing skills in a structured way?
- Are HR business partners equipped to talk to business clients about skills? Can they identify critical skills for the future, gaps in skills needed, and promote skill development?
- Do workers have a way of envisioning a career path that is based on their ability to develop specific skills?
- As an organization, are we able to close skill gaps and develop talent pools? Do we need to reach out and build skills pipelines externally (e.g., partnering with schools, programs, etc.)?

### CASE STUDY

While supporting a major transformation of the finance function, the HR team of a global industrial manufacturer helped finance outline soft skills, core finance skills, and job-specific technical skills aligned with the future service delivery model, along with target proficiencies. This enabled finance leaders to develop detailed strategies for upskilling existing talent, hiring to fill gaps, and engaging temporary resources to address critical needs.

## Focus area 2: Optimize labor spend

Uncover **hidden costs to labor spend** to reduce operation cost ("payroll leakage")



Automate **forecasting, capacity, and fulfillment** to improve operating margin



Optimize **labor spend**

### Value to the business

When we think about labor spend, our first thoughts naturally go towards eliminating positions or reducing wages, but there are other, often overlooked options to incrementally right-size labor spend. For a typical Fortune 500 company, unplanned labor costs can result in approximately \$30M in losses each year.<sup>2</sup> By strategically addressing both the demand and supply aspects of labor, organizations can realize substantial cost reductions and enhance labor-demand alignment, delivering significant value to the organization.

HR can partner with business leaders to strategically optimize labor spend by focusing on identifying and solving for associated hidden costs. For example, hidden costs can be found in overtime policies or rounding rules for hourly workers. While such costs may seem inconsequential at the individual worker level, they can become a significant drain on spend when applied to the organization as a whole.



### Key investments HR should consider

On average, organizations can save between \$200 to \$800 per worker annually by closing gaps that lead to unplanned labor costs.<sup>2</sup> This is an opportunity not only to reduce costs, but also to analyze HR's approach to labor spend and fix underlying policies or practices leading to these hidden costs.

So how can HR really drive these incremental improvements in labor spend without eliminating positions or reducing wages? Here are a few ways to get started:

- **Evaluate the totality of the workforce** including W2, 1099 and contingent spend via Accounts Payable.
- **Pinpoint practices that drive additional labor expense**, including, but not limited to, timecard rounding, missed meals, scheduling errors, data inaccuracies, misconfigured systems and unmanaged overtime.
- **Resolve root causes of unplanned labor cost** without eliminating positions or reducing base wages by automating processes, resolving policy gaps and ensuring managers have access to the right data to manage spend.

### How to sustain these investments

Addressing these hidden costs and making immediate adjustments is a great start, but these measures alone won't prevent hidden costs from creeping back over time, unless the policies and issues driving them are corrected. These investments only realize their maximum value when paired with sustainment activities. Organizations can use worker data to determine the demand drivers that influence labor needs and align operational actions to achieve optimized fulfillment levels. This can range from identifying the high-level skillsets needed for a worker's activities down to the specific times of day that certain roles need to be available.

#### CASE STUDY

While investigating annual payroll spend, one organization noticed that 20% of all overtime spend was going to just 2.4% of the workforce. Upon further inquiry, it became clear that only a few employees possessed a skill often needed in the field. These same employees would consistently get called out and receive overtime because there was no other option. By identifying the root cause of the overspend, the organization could then form a strategy to develop the skill internally and look for the skill when hiring externally, simultaneously reducing overtime spend.

## Focus areas 3: Protect brand and promote workforce trust

Enhance **employee and labor relations** capabilities



Activate role of people leader through emphasis on trust



**Protect brand and promote workforce trust**

### Value to the business

Organizations often forget how influential their brand and reputation can be to their bottom line, not just from a customer perspective, but from a workforce perspective as well. While organizational leaders sighted potential damages to their organization's reputation and brand as one of the top five workforce-related risks that threatened their business objectives, less than 40% reported that their C-suite and board provide governance and oversight of such issues.<sup>3</sup> An organization's brand and reputation can lead to both workforce-related opportunities and challenges that can impact the ability to achieve desired business outcomes. For instance, when employees believe their employer's brand is high in the factors of trust, they are 1.5x more likely to defend their employer after someone's criticism and 1.5x more likely to positively review their employer<sup>4</sup> on a public website. Conversely, an organization whose market brand has been damaged may face challenges in their ability to attract and/or retain workers with the critical skills and capabilities they need, which can impact business continuity or stifle the ability to meet evolving business needs. The value of companies adversely impacted by trust-related events is shown to decrease by more than 30% compared to peers.<sup>5</sup> Research also shows that brand matters—trusted companies outperform their peers by up to 400%.<sup>4</sup>

Part of the journey towards building trust and loyalty between workers and their organization is to provide workers with an effective channel to voice their needs and concerns. However, to sustain a relationship of trust with the workforce, organizations should also have effective processes in place to both capture and address worker inquiries and concerns in a timely fashion. For example, HR can establish intentional employee and labor relations (ER/LR) practices to capture and address employee concerns. Moreover, HR can continue to play a critical role in establishing and building workforce trust by engaging workers following their interactions with HR services (e.g., ER/LR, HR call centers, ethics/compliance hotlines, etc.) to capture feedback and measure trust-related performance. Such steps are critical to understanding the organization's trust profile and identify areas where HR can implement changes to elevate the employee experience, increase employee engagement, and enable co-creation of the employee/employer relationship.

### Key investments HR should consider

HR is positioned to help shape the consumer image and influence worker engagement and retention, which ultimately impacts a company's bottom line. Two immediate actions for HR should be to enhance employee and labor relations capabilities and establish processes to continuously measure and monitor trust performance.

Here are a few places to start:

1. Assess current ER/LR services and associated HR practices, such as employee engagement and employer value proposition, as well as in other functions like call centers and ethics/compliance hotlines.
2. Establish key trust metrics and benchmarks for success and take a baseline of current performance, including existing expenditure on labor dispute resolutions.
3. Identify the technology and skills necessary to enable new services, such as those required to track and manage grievances or investigations, and further capture worker feedback to continuously measure and monitor trust-related trends and performance.
4. Redesign related processes to enhance the overall talent experience.

### How to sustain these investments

Formalizing ER/LR practices alone may not move the needle on the organization's brand or workforce trust, as these processes are often used to respond to workforce issues or mitigate incidents. However, these practices are foundational to provide insights that inform proactive strategies that address gaps in workforce trust and the talent experience. Here is where shaping the role of a people leader—a transformation from the traditional “manager” role—is pivotal, as the effectiveness of such a role can directly impact worker engagement. For instance, 79% of employees who highly trust their employer feel more motivated to work.<sup>6</sup> Trust in leadership also positively affects job performance, overall job satisfaction, and commitment to the organization.<sup>7</sup> However, a critical step in building trust in the organization includes assessing the tools and programs in place for developing leadership capabilities across levels, not just at the senior level, but also for mid-level and frontline leaders. A people leader's day-to-day experience with the “work” as a manager of others can be shaped through optimizing manager self-service, providing access to real-time data and insights, and providing the right support resources and coaching.

## CASE STUDY

In support of a major transformation effort to modernize HR services for a branch of the US Military, Deloitte collaborated with call center leadership and key stakeholders to redesign post-interaction customer survey questions anchored around the [Four Factors of Trust](#) to inform benchmarking, reporting, and experience interventions. This enabled the design and implementation of a series of interventions focused on changing customer behavior and perception, resulting in a 177% increase in composite trust in six months, notably exceeding the Federal Government average by 13 points.

## HR investment strategy

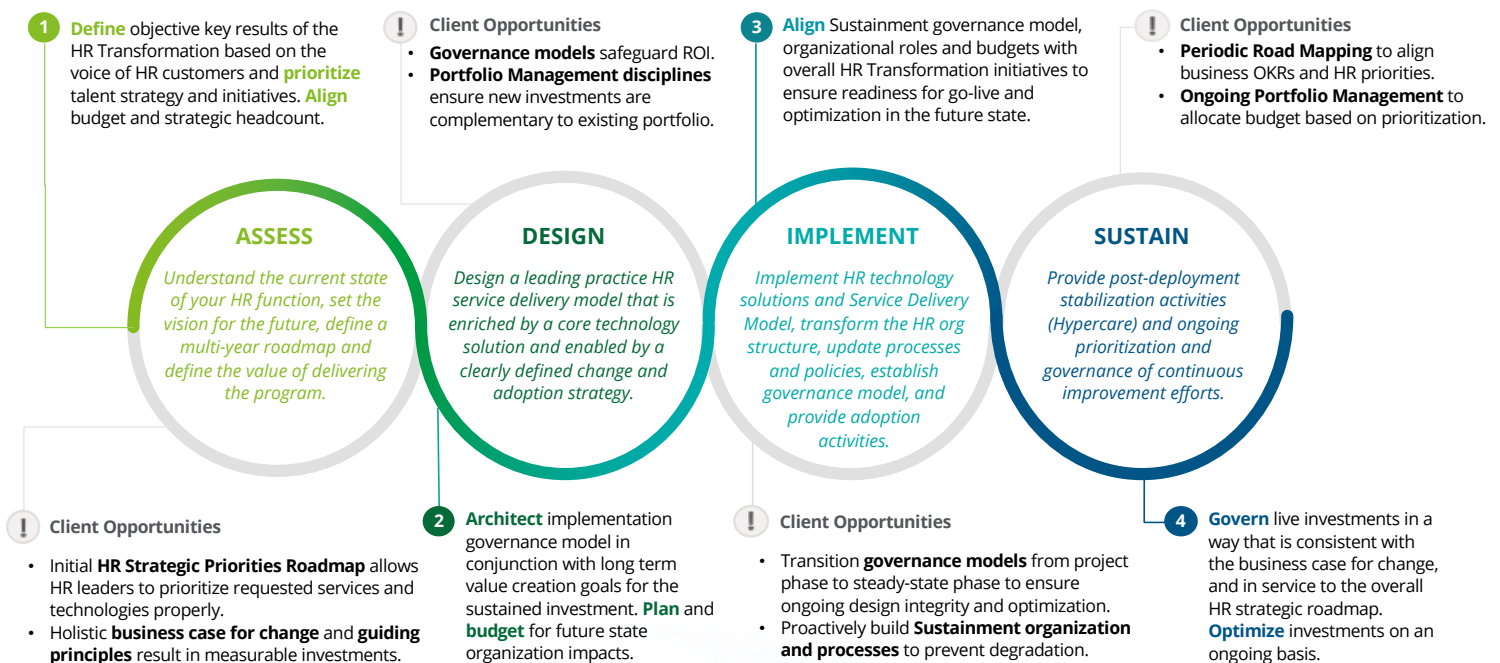
Now let's talk about the importance of complementing discrete investments in HR services or tools with intentional, sustainable practices. Making investments is just one half of the equation; pairing these investments with sustainable practices helps maximize value. By introducing sustainable practices alongside our investments, we can proactively incorporate the HR capabilities and routines needed to sense the effectiveness of these new and improved services.

Investment in HR, particularly in cloud-based technology, has surged, driven by the need to navigate a rapidly evolving technology landscape marked by trends like Generative AI and workforce planning. Amid market uncertainty, HR executives are under pressure to maximize return on investments in HR technology, programs and service offerings. A strategic, ongoing HR investment approach, focusing on maximizing value creation of the foundational technology, programs, and operating model is essential for optimizing and sustaining competitive advantage.

Regardless of where an organization is in their HR transformation journey, the four cornerstones of HR investment strategy (HR strategic priorities road mapping, portfolio management, governance and change control, and sustainment planning) can help to safeguard investment of funds and strategic headcount, optimizing value creation and return on investment. Given the evolution of workplace technology and the increasingly boundaryless nature of organizations, interdependencies between HR, finance, IT and the businesses they support requires intentional collaboration on budgeting and investment planning.

### Key opportunities include:

1. **HR strategic priorities road mapping**—Aligns business priorities and objective key results to HR strategy and talent initiatives, prioritizing investment in technology and programs on a periodic basis.
2. **Portfolio management**—Cross-functional tools and capabilities that help organizations manage how budget is allocated, strategic headcount is leveraged, and time is prioritized in alignment with a strategic roadmap.
3. **Governance and change control**—Aligns decision-making models across HR/IT/Finance to define a focused governance body and framework for HR program transparency, design integrity, and risk mitigation.
4. **Sustainment planning**—Targeted planning for sustainment organization, processes and tools maximize investments in core applications, workforce experience and functional area technology, HR programs, and operations.



## Looking ahead

We've explored three areas where HR leaders can put more sustainable practices in place to fully realize the intended value of their investments for the enterprise. In our final article of this three-part series, we will explore three areas where HR leaders are seeking additional value for their function and discuss strategies to unlock the full potential in each.

**Want a deeper look at HR value realization? [Learn more on CapitalH](#) >**

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