

Creating value through HR
HR Strategy

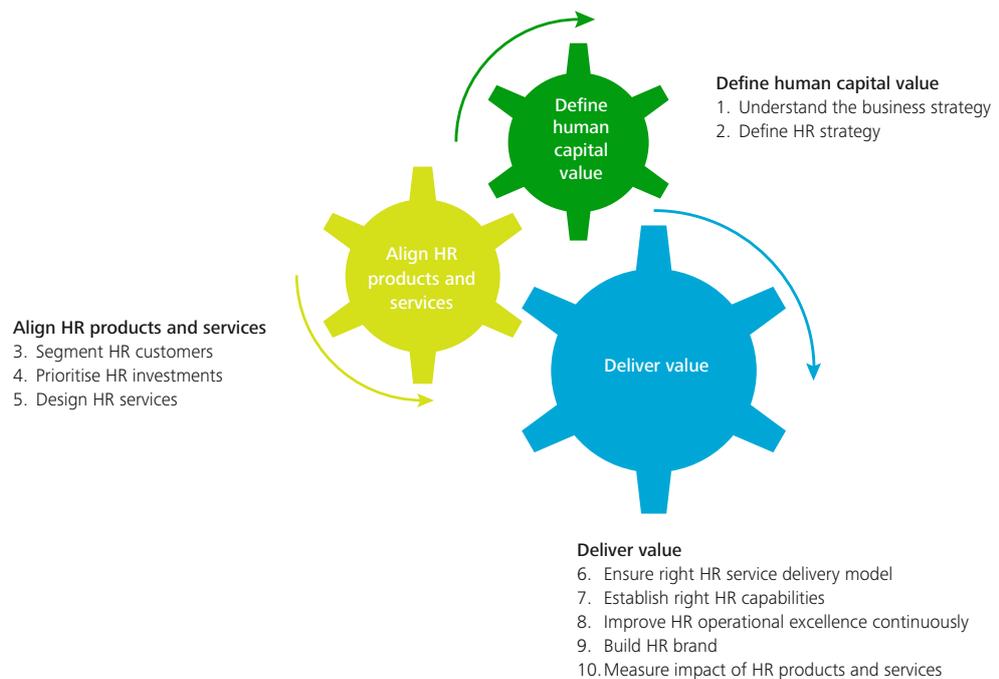


HR Strategy

One of the key success factors of high performing organisations is putting their people first. Today HR executives are challenged to develop efficient and effective, simple yet powerful solutions to the people side of business. However it remains difficult to determine the exact contribution of the HR function to achieve these objectives.

Based on the HR Strategy Framework, Deloitte is uniquely positioned to assist your organisation to strengthen its strategic role and contribution of your HR function to ensure the execution of business strategy. Our 10-step approach helps organisations to define and execute an effective HR strategy as well as develop and deliver services and capabilities that today's organisations need to survive and grow.

Deloitte HR Strategy Framework





Define human capital value

The first step towards an effective HR strategy is to define value and to understand how business value is created. This requires a deep insight into the overall business environment as well as a clear understanding of the organisation's overall business strategy.

Step 1: Understand the business strategy

Understand market forces, trends and the business strategy and identify their impact on the HR strategy and priorities required to execute the business strategy.

Step 2: Define HR strategy

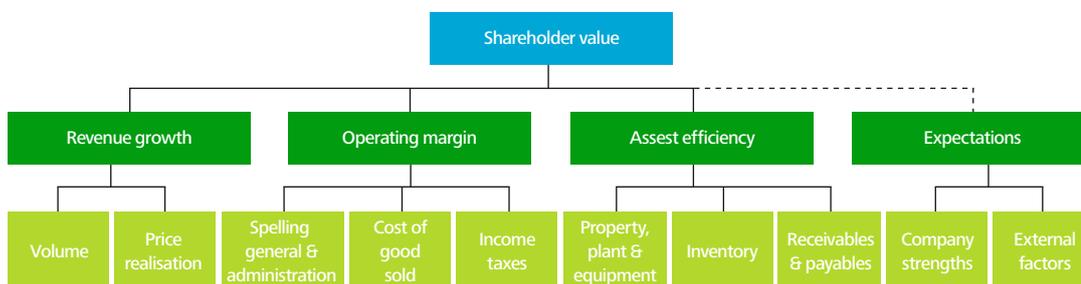
Provide a roadmap for creating a unique competitive advantage by outlining how the organisation will leverage the organisation's human capital to address business challenges and achieve business objectives.

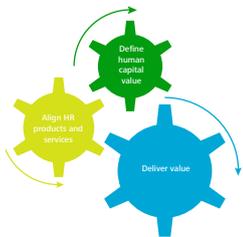
- Translate your organisation's strategy into an effective and actionable HR strategy, priorities and business plan
- Translate your HR strategy into key people initiatives and programs
- Identify the best ways to attract, motivate, and retain new and existing workforce segments

An effective HR strategy provides a roadmap to create value through the organisation's workforce. It also includes guidelines for the organisation to follow when competing for new talent or retaining existing talent. These guidelines can cover a broad range of issues, such as which skills and competencies are most critical for achieving future goals and objectives, how to source talent (grow or buy), and how to create and maintain a high-performance culture.

Deloitte helps organisations to focus on people and HR, to identify the most practical ways to get things done and to ensure that your Human Capital initiatives deliver their intended business value. The Deloitte enterprise value map for Human Capital™ makes this process easier by accelerating the identification of potential improvement initiatives and depicting how they can contribute to greater shareholder value.

Deloitte enterprise value map





Align HR products and services

Once a strategic direction has been defined, the organisation must review its HR policies, programs and practices to ensure they are aligned with the defined HR strategy.

Step 3: Segment HR customers

Identify the critical workforce segments and tailor specific programs and services.

- Define and determine which workforce segments are most critical to achieve the desired results
- Assess the needs of each workforce segment and draw up programs and services tailored to their needs

Step 4: Prioritise HR investments

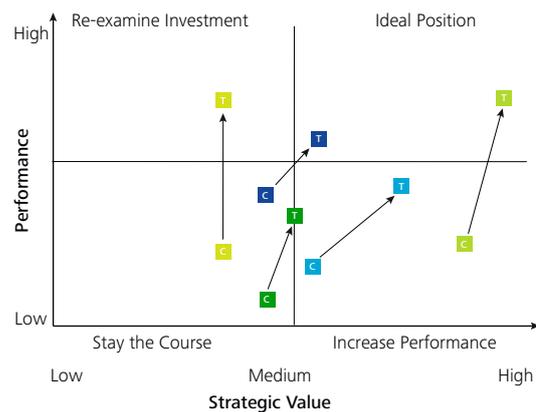
Identify all HR projects and understand their expected costs, benefits, and primary focus to properly allocate scarce resources.

- Identify and develop prioritisation criteria that are aligned with the organisation's strategy and priorities
- Analyse the cost, benefit and risk of delivering each offering across the workforce life cycle
- Allocate funding for parts of the people services portfolio

The HR function should focus on value-adding activities to support the execution of the business strategy and objectives. HR leaders are asked more frequently to measure and improve the efficiency and the effectiveness of their HR function. However, understanding and managing sources of cost and value creation can be a challenging task. Several factors need to be taken into consideration, including the key deliverables that are to be used in a selected organisation and the investments in HR practices and programs that drive these outcomes. Furthermore the criteria for prioritising HR investments need to be defined to ensure the greatest return on investment for the organisation. Finally, HR services and activities that should be reinforced or created need to be identified as well as those that should be scaled back or eliminated completely.

Human Capital Cost Management is a Deloitte service offering which aims to identify, measure and manage the sources of cost and value creation. This method entails a precise evaluation of the allocation of resources (e.g. money, FTEs, time) within the HR function, allowing the client to measure and track the actual and expected costs and benefits of existing HR activities and projects. Consequently, these HR activities and projects can be prioritised in accordance with the cost-benefit analysis.

HR Prioritisation Matrix - Illustration



HR Capability	Current state	Target
Talent strategies	C	T
Learning & development	C	T
Change management and transformation	C	T
Organisational strategies	C	T
HR strategy and services	C	T

Step 5: Design HR services

Design and implement HR solutions that are critical to ensure the execution of the HR strategy for every phase of the workforce life cycle.

- Perform an HR process analysis and identify all HR processes that should be streamlined or reengineered
- Analyse the current people services portfolio, (re) design and implement HR services and solutions



Deliver value

Converting HR strategies and initiatives into tangible business value requires the appropriate delivery approach, a solid foundation of HR capabilities and infrastructure and the definition of business-driven performance measures to track whether the expected results are being delivered.

Step 6: Ensure right HR service delivery model

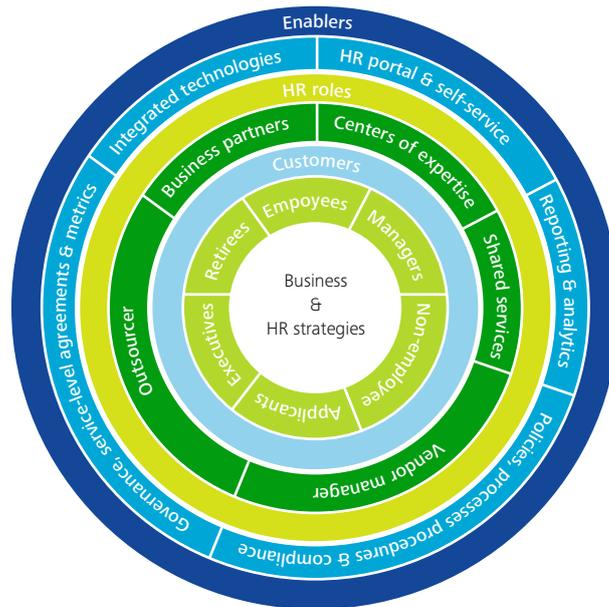
Think through people-related business challenges to design the right HR service delivery model.

- Analyse the current HR service delivery model and assess its ability to effectively meet the organisation’s needs and objectives
- Define specific roles, governance mechanisms, and delivery options
- Identify key delivery enablers such as systems, processes and infrastructure

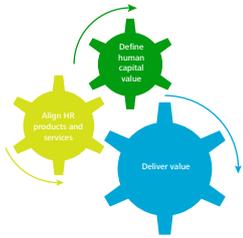
More than ever it is critical for every organisation to question - and if necessary - revise the way the HR function is organised. This implies the assessment of the organisation’s current and future ability to support the business and to execute the defined corporate strategy. To do so, organisations can rely on a wide range of choices to deliver their HR services and solutions.

The Deloitte HR service delivery framework includes the key elements that should be considered to (re)design an effective and efficient HR service delivery model. The starting point of the framework consists of the business and HR strategies and the identification of the unique needs and requirements associated with each customer segment, such as employees, managers, executives or new hires. Next, the framework emphasises HR’s various roles by focusing on how service is delivered through retained and outsourced HR roles. Finally, the required technology and business enablers are identified and considered as key variables in the (re)design of the HR service delivery model.

HR service delivery framework



Based on the HR Strategy Framework, Deloitte is uniquely positioned to assist your organisation to strengthen its strategic role and contribution of your HR function to ensure the execution of business strategy.



Step 7: Establish right HR capabilities

Identify and build the advanced skills, competencies and capabilities required for HR to fulfill its strategic role.

- Identify the skills and competencies required to deliver the HR Strategy
- Conduct a skills analysis, develop training and recruiting plans to fill any critical gaps

The HR function plays a central role in delivering people services solutions to the organisation. Therefore the capabilities of the HR function and its staff are critical to achieve these objectives. Given current trends of centralising or outsourcing administrative or non value-adding activities, HR leaders are being encouraged to focus on the strategic aspect and added value of HR. To do so, HR leaders must be able to identify and prioritise the key strategic HR objectives that will help their organisations to execute the business strategy.

Step 8: Improve HR operational excellence continuously

Design supporting tools, processes, and infrastructure to help the HR staff succeed.

- Assess the efficiency of HR-related services and activities through qualitative and quantitative analyses (HR Cost and Activity Analyses)
- Assess the cost structure of the HR function and control significant long-term and short-term HR-related costs

Step 9: Build HR brand

Understand and communicate the value of HR to business leaders and key stakeholders.

- Design, develop and implement an integrated communication process in order to market the HR function within the organisation
- Obtain feedback on how HR is and should be performing

HR Scorecard - Illustration

HR Key Performance Indicator Dashboard					
Criteria	Measure	Description	Result	Target	Variance to target
Headcount	Number of FTEs	Changes in workforce numbers and hours utilised by employee category	440,0	450,0	10,0
Recruitment	% new hires achieving 6 months service	Staff retention performance throughout the organisation	75,0%	80,0%	5,0%
	Average time to fill a vacancy (days)	Recruitment performance throughout the organisation	20,0	25,0	5,0
Training and development	Average training hours per employee	Time commitment to staff training and development	30,0	40,0	10,0
	% training course participant satisfaction	Participant satisfaction with training courses provided	82,0%	80,0%	2,0%
Succession planning	% of internal appointments above level	Succession planning effectiveness	10,0%	10,0%	0,0%
Performance management	% of appraisals completed on time	Performance management effectiveness throughout the organisation.	90,0%	100,0%	10,0%
	% of individual training plans completed		100,0%	100,0%	0,0%

Step 10: Measure impact of HR products and services

Identify key performance measures to track the return on investment of HR products and services.

- Link the corporate strategy, strategic HR priorities and key performance measure for HR and for the workforce
- Identify the right key performance measures and ensure the right balance between value- and cost-related measures
- Design and implement an HR Scorecard to track HR impact, value and costs

An HR Scorecard is a tool for measuring the contribution of HR to the overall performance of an organisation. It includes key performance indicators on HR investments, costs, practices and competencies. As HR responds to the challenge of making a greater strategic contribution to the organisation, HR functions are using scorecards in order to manage HR as a strategic asset.

The 10 steps of Deloitte’s HR Strategy Framework are combined in an HR Roadmap which outlines the defined HR priorities and actions.

Certainly many challenges lie ahead for HR executives wanting to transform their HR function and optimise the added value of HR. In order to achieve this end, an HR Roadmap can be developed which provides a practical guide for the transformation of the HR function.

In the end an HR function that stays focused to this roadmap by aligning its services and capabilities with the organisation’s business strategy will begin to distinguish itself as a strategic partner; the only viable alternative in today’s competitive environment.

HR Roadmap - Illustration

	...	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	...
HR transformation program management	Program management										
HR vision & strategy	Define HR department vision	Design HR people vision	Communicate HR people vision	Evaluate and review HR vision/strategy				Evaluate and review HR vision/strategy			
HR organisation & HR governance	Define HR transition plan & HR governance		Execute transition plan				Operationalise HR organisation				
			Implement HR governance				Evaluate & review HR governance				
HR core processes	Process design		Process implementation (incl. employee engagement survey,...)								
	Knowledge transfer and coaching										
	Package harmonisation implementation						Employee package management				
	Change and culture program										
HR support processes & technology	Design, implementation & testing		Identification/assessment of HR tools & develop HR IT long term strategy								
Reporting & HR scorecard	Define HR metrics and KPIs / HR scorecard			HR measurement framework Evaluate & review HR metrics/scorecard							
HR budget (HRB)	Budget approval		Budget follow-up				Budget follow-up				

Contacts

For more information, please contact

Josefine Heldeborn

Manager

0768-47 22 57

josefine.heldeborn@deloitte.se

Deloitte is one of Sweden's leading professional services firms, employing 1 100 people in 30 offices throughout Sweden. We deliver world-class assurance and advisory, tax, and consulting services. Our clients range from global industry leaders to the many small and medium sized companies that characterize the Swedish business community. Internationally, we are a member firm of Deloitte Touche Tohmatsu with 165,000 employees in over 140 countries. For more information, please visit www.deloitte.se.

Deloitte refers to Deloitte AB and its related entities. Deloitte is the Swedish national practice of Deloitte Touche Tohmatsu. Deloitte Touche Tohmatsu is a Swiss Verein, and each of its national practices is a separate and independent legal entity.

A member firm of Deloitte Touche Tohmatsu.

© 2009 Deloitte AB.