

A HARVARD BUSINESS REVIEW ANALYTIC SERVICES REPORT



**Harvard
Business
Review**

THE BENEFITS OF TECHNOLOGY FOR THE STRATEGIC CHRO

SPONSOR STATEMENT

IT Leadership in the Digital Economy: Closing the Gap?

The findings from the Strategic CHRO Harvard Business Review Analytics Services survey report, show an interesting conflict between respondents about strategic human resources (HR) and technology. Both HR and non-HR professionals indicate they want more strategic HR, but perceptions differ about whether HR is indeed acting strategically and whether technology can help. New social, mobile, cloud, and data analytics technologies are enabling CHROs to be more strategic. However, even though organizations understand that these technologies are important, only 25 percent think they use them effectively.

At Oracle, it's about setting the right expectations about HR's role as a strategic partner within the business and having the right tools, information, and capabilities to deliver on those expectations. HR can't be seen as strategic if we can't deliver on the fundamentals. This is where technology can help. More than 15 years ago, we transformed HR data and systems around the world to get to a global, single instance with easy integration. We viewed this as incredibly strategic, but looking at it from a business-leader perspective, it was table stakes for what they expected from us.

Only after laying a strong cloud technology foundation can you then layer in functionality that can help HR gain the insights needed in order to benefit the bottom line. This is what we're getting from Oracle HCM Cloud—the ability to use technology to bring people, information, and technology together in a way that leads to greater insights and improves the employee experience.

For example, by implementing Oracle Talent Review we were able to start aligning employee career goals, skills, and capabilities to other job opportunities within the company. This gives us a mechanism to quickly and effectively retain and develop top talent in a mutually beneficial way. Through Oracle Talent Review, leaders are provided with visibility into candidate readiness and provide employees with opportunities to excel and grow in their careers.

We think this report offers an important perspective for CHROs about who perceptions differ between HR and business leaders, and we hope that it opens new conversations about how HR can be a better strategic partner.

Joyce Westerdahl
Executive Vice President, Human Resources
Oracle

THE BENEFITS OF TECHNOLOGY FOR THE STRATEGIC CHRO

Business leaders have often debated whether HR should become strategic or stick to its traditional role of workforce administration. New research by Harvard Business Review Analytic Services finds that their preference is now clear. Senior executives want a CHRO who is a strategic business partner and an HR organization that anticipates the talent capabilities required for a high-performance culture that achieves their business strategy and growth objectives.

The next question: do senior executives understand the importance of the tools HR needs in order to sustain its strategic efforts? According to the recent poll of 300 business and HR executives, they certainly do. A majority of respondents recognize the importance of a new breed of information technologies to support strategic HR. These include cloud-based applications, employee self-service, executive dashboards, online learning portals, and workforce analytics, as well as mobile computing and social media.

To varying degrees, these technologies are already helping HR make workforce decisions that contribute to business results. The survey also finds that HR departments have neither completely achieved their strategic role nor realized all of the benefits of new technology. For example:

- Despite the clear preference for strategic HR, nearly half of HR leaders still spend most of their time on administrative functions.
- New technologies are important for strategic HR efforts, but could be used more effectively to create business value.
- HR and business executives need a stronger consensus about the strategic benefits of using new HR technologies.

For HR to have a strategic impact, “technology is the enabler and the HR systems are table stakes,” says Dave Ulrich, the Rensis Likert Professor at the Ross School of Business, University of Michigan, and a partner at the RBL Group. He argues that successful CHROs become both strategic and technologically savvy. Successful companies, he says, are better at “managing information to get more rigorous decision-making around talent, leadership, and culture, but too many HR executives don’t ask the right questions about what business needs to win.”

Although many CHROs are well along the path to strategic HR, many could still make better use of the technology they already have and the data they collect. Meanwhile, to increase executive support for additional technology investments they need in order to fulfill their strategic role, they need to build consensus with other business executives about how new HR technologies can help companies meet business goals and create value.

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THE ROAD TO STRATEGIC HR

Business leaders want HR to be strategic. An overwhelming 76 percent of respondents to the poll said they either have a strategic business partner in HR (46 percent) or would like HR to become better aligned with business strategy (30 percent).

Furthermore, when asked how the CHRO should ideally be occupied, respondents chose big-picture activities over traditional administrative functions. [figure 1](#) For example, 68 percent of respondents reported CHROs should ideally be spending time anticipating the talent capabilities their company requires to build a high-performance culture that achieves their current business strategy.

Just 28 percent said they actually do. Rebecca Ray, a former senior HR executive and currently executive vice president for the knowledge organization and human capital practice leader at The Conference Board, views the gap between aspiration and reality as an opportunity. A savvy CHRO, she says, could present the gap, declare a goal to shrink it, and win C-suite support for the effort.

“The most important thing executives want is to execute on current strategy,” Ray says. Closing that gap will not only help business executives make better decisions but also show HR’s serious intent about strategic work, she says.

First, executives must come to grips with how well HR is already performing its strategic role. The survey compared answers from HR executives and respondents in other business functions. The results suggest that outside HR, business leaders are not well-informed about what HR does. For example, 56 percent of respondents in HR roles consider themselves to be strategic; 35 percent of non-HR respondents view their HR departments this way.

HR respondents were also more likely (58 percent) than non-HR respondents (34 percent) to view developing an HR staff that understands business objectives and can execute a workforce strategy to support them as an important focus for the CHRO.

Moreover, not all business leaders outside HR are aware of the strategic activities their CHROs are already engaged in. While 36 percent of HR respondents reported their CHRO is occupied with anticipating the talent needs required to build a high-performance culture that achieves the company’s current business strategy, just 18 percent of non-HR respondents said this was a top activity.

Ulrich and his colleagues recently studied the competencies and performance of more than 4,000 HR professionals worldwide, leading him to conclude that HR staffs face technical, cultural, and political challenges when shifting their focus from administrative to strategic matters.

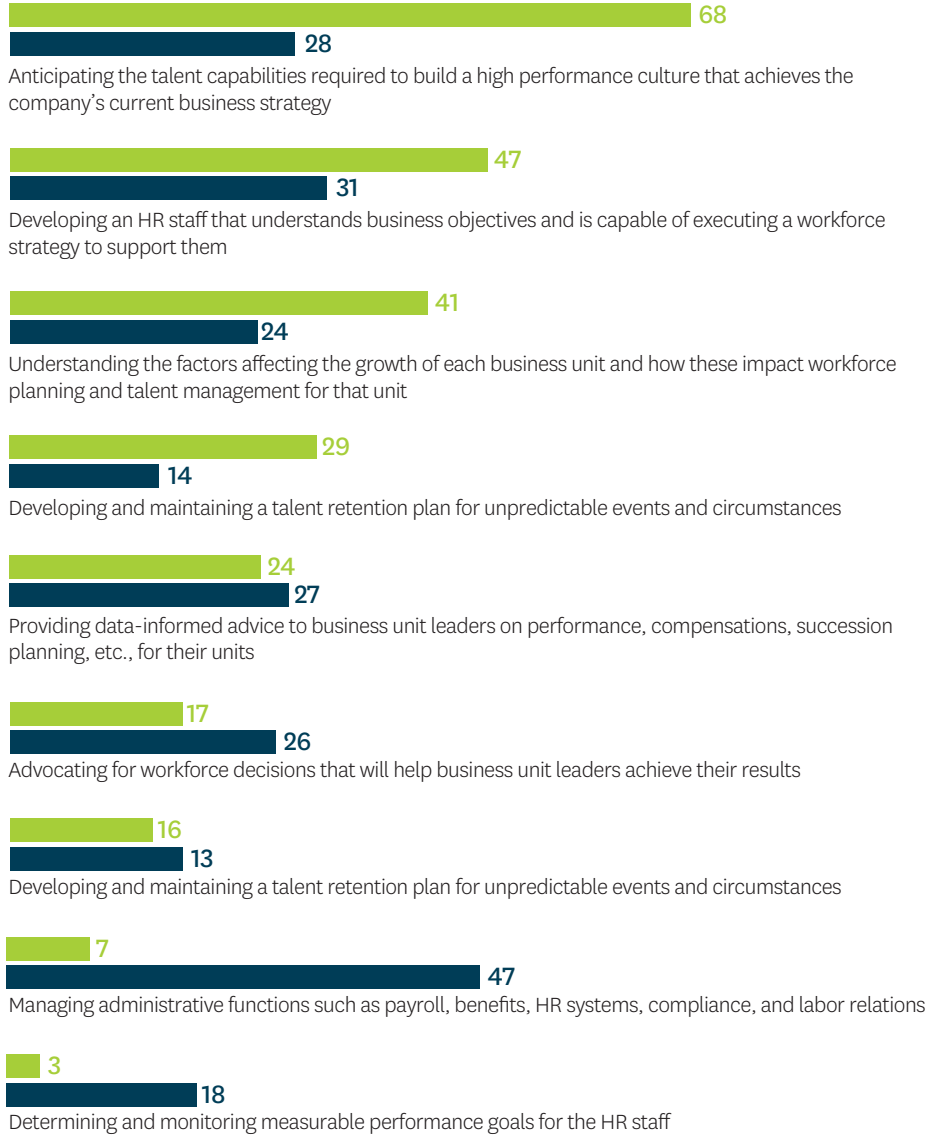
By “technical,” Ulrich means not only how HR professionals use technology, but also how well they understand and use data. Culturally, Ulrich says, not all HR professionals identify yet with the strategic role. Nor are some of them as adept as non-HR executives at corporate politics—forming

FIGURE 1

CHROs WANT TO FOCUS ON STRATEGY

They are more likely to spend their time on traditional administration.

● IDEAL ● ACTUAL



SOURCE HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, AUGUST 2016

“HR needs to first focus on the value it brings, and improving efficiency is the first step. How we do things faster and better and yield better margins” using technology.

Jose Tomas, Executive VP and CHRO, Anthem Insurance, Inc.

the right relationships with business and functional leaders outside HR, and having tough-minded business discussions, Ulrich adds. Most HR executives are certainly capable of acquiring these skills, he says.

Jose Tomas, executive vice president and CHRO at Anthem Insurance, Inc., agrees that some HR professionals are neither trained for nor comfortable in a role in which they deliver expert advice or challenge their colleagues’ assumptions about workforce-related issues. They need to be able to debate workforce decisions with business executives, not just sit quietly at the table. Tomas says HR professionals can become more comfortable in an advisory role if they know how the business is performing and its objectives.

“If you ask some HR people how the business did this quarter, they often can’t tell you,” says Tomas, who has held leadership positions outside HR, including P&L responsibility at another company. “HR people need to be going to business meetings and strategic reviews. That will help HR build a view of what is going to be required of the workforce.”

For their part, some senior business executives prefer that HR not make waves, Tomas acknowledges. “But the best corporate leaders I’ve worked with expect their HR partners to have the courage to participate and push back when necessary.”

OPPORTUNITY KNOCKS, TECHNOLOGY ANSWERS

Technology is a key ingredient for helping HR meet its strategic goals, the research found. UM’s Ulrich says CHROs “have to access, advocate, analyze, and align technology for information, efficiency, and relationships.”

Respondents generally agree on the significance of a broad range of technologies; more than half endorsed employee portals and executive dashboards (70 percent), workforce analytics (68 percent), and cloud computing (52 percent) as important.

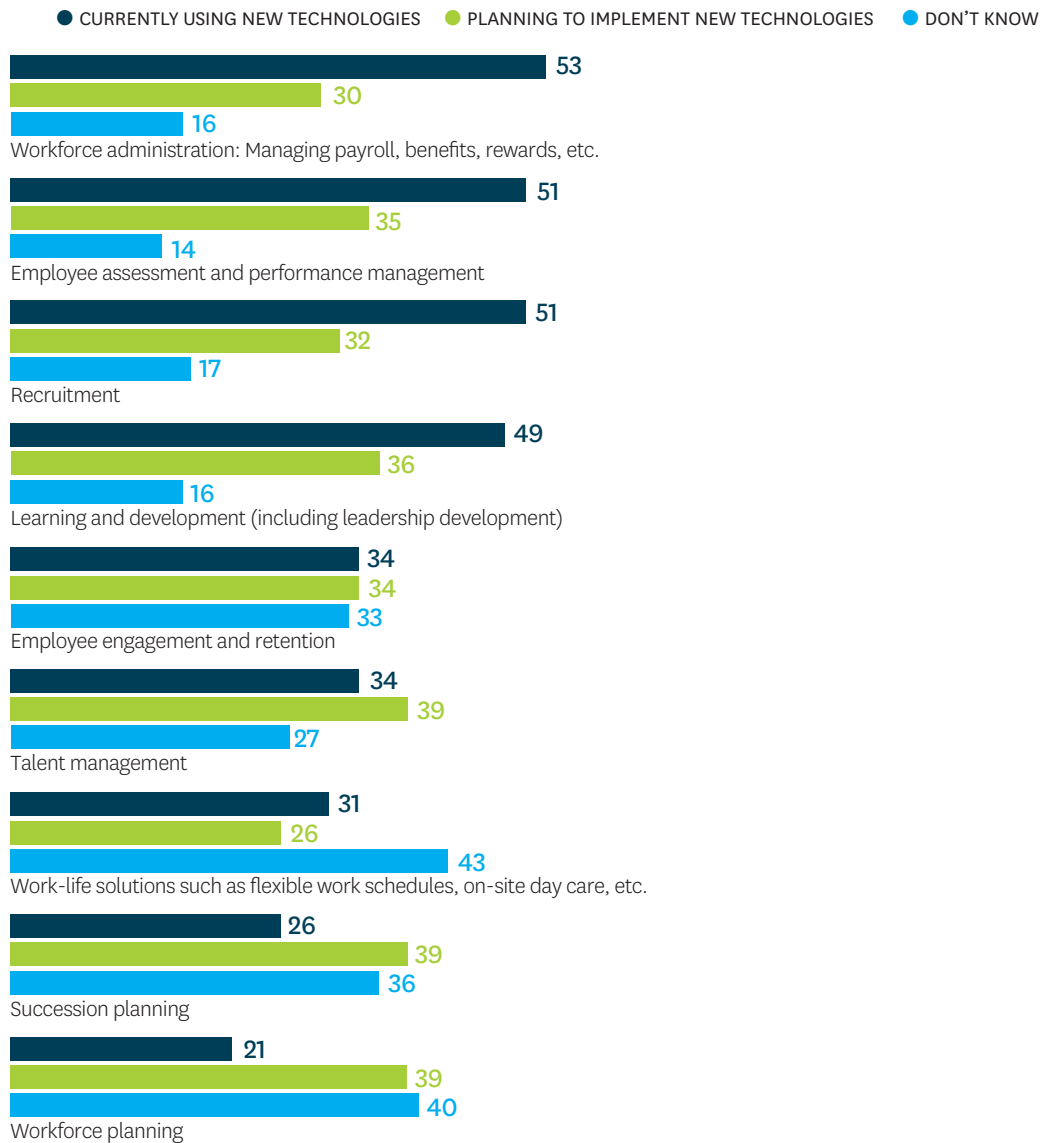
In addition, more than half said their companies plan to use or are already using a variety of technologies to support each of nine HR functions. Large majorities have already deployed or have plans to deploy software for employee assessment and performance management (86 percent) recruitment (83 percent), workforce administration (83 percent), and learning and development (81 percent). What’s more, respondents who are planning technology investments indicated the strongest interest in applications that are not widely used currently, such as workforce planning, succession planning, and talent management (39 percent each). [figure 2](#)

These results suggest that HR clearly “gets” the importance of all kinds of new technologies to their strategic efforts. Respondents also admit they are not yet using all of these technologies as effectively as they would like to.

FIGURE 2

TECHNOLOGY INVESTMENTS FOR STRATEGIC HR

Companies are using or plan to use new technologies across a range of HR functions.



SOURCE HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, MARCH 2016

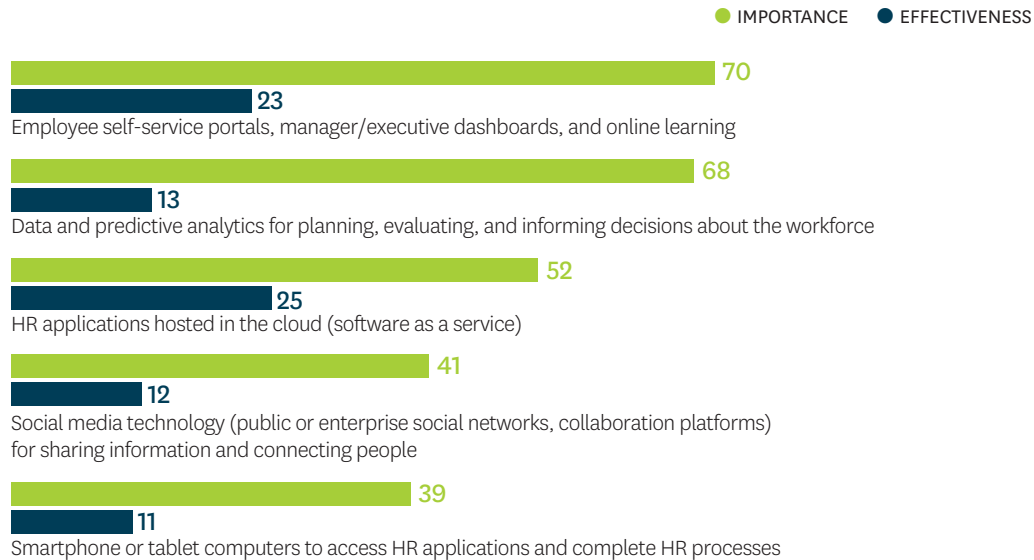
For example, despite broad agreement that employee portals and executive dashboards are important to HR, 23 percent say they use them effectively. Similarly, 25 percent say they use cloud technologies effectively, and fewer than 15 percent are pleased with how well they use analytics, smartphones, tablets, or social media technologies. [figure 3](#)

For Tomas, this gap between importance and effectiveness indicates that HR is on the right path and must continue to improve its ability to interpret data in ways that are useful to business

FIGURE 3

TECHNOLOGY IS IMPORTANT TO STRATEGIC HR

Companies can get even more out of investments in analytics, cloud, social media, and mobile technologies.



SOURCE HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, AUGUST 2016

executives. Dashboards, he notes, are most useful if they provide actionable insights relevant to meeting business executives' objectives, something Tomas' staff has begun to provide. "If you provide data that shows trends, where the business is going, then they have the ability to act on it," he says.

For example, at the request of one Anthem business unit, Tomas had his staff analyze the turnover for a certain job class. They didn't stop at pulling the numbers together and presenting them in a report. "The sophisticated work was not the analysis," Tomas says. "The sophisticated work was to change hiring standards—to change policy and practice."

Tomas says Anthem will emphasize more effective use of predictive analytics as a goal in 2017. In the past year, his staff has been adjusting to a new strategic HR technology platform, an investment that grew out of discussions about business needs.

Predictive analytics is the key to becoming truly strategic, Ray argues. "I don't know how you can be strategic without the ability to analyze the data and have some idea of what the future holds."

Sophisticated use of analytics requires data, analytical tools, and an HR staff that knows how to use the tools to interpret data and determine policies and programs based on the results. Ulrich and his colleagues have documented a four-stage progression in expertise with workforce analytics: scorecards or basic data about how HR programs are working; workforce insights based on big data techniques; applying those insights to improve HR practices; and, finally, analysis that has a direct and quantifiable impact on business outcomes. He observes HR departments across industries making progress toward maturity.

A RANGE OF BENEFITS

Tomas says recent decisions to invest in software for Anthem’s HR platform came out of strategic discussions that he had with Anthem’s business executives, as well as from HR’s ability to show benefits from using technology. “You must demonstrate the ROI for any new technology,” he says.

The benefits respondents say they receive from technology are varied. About half (51 percent) of poll respondents anticipate that more focused employee assessment and performance management will result in growth through greater productivity and ROI per employee—the top choice from a list of seven major technologies and their benefits.

Slightly fewer (47 percent) selected using data predictively to make workforce decisions that contribute to innovation and growth as well as mitigate adverse business outcomes that may impact the workforce. [figure 4](#) This is more important to HR than other business leaders: 61 percent of HR respondents affirmed the benefits of predictive analytics compared with 31 percent of non-HR executives.

This difference does not surprise Anthem’s Tomas. “If you asked my HR team, they would choose the predictive analytics answer as the most important benefit,” Tomas says. “My own business partners, however, would probably choose the answer about lowering costs through greater

FIGURE 4

VARIED TECHNOLOGY BENEFITS

Companies see multiple connections between technology investments and strategic business outcomes.



SOURCE HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, JUNE 2016

“HR people need to be going to business meetings and strategic reviews ... the best corporate leaders I’ve worked with expect their HR partners to have the courage to participate and push back when necessary.”

Jose Tomas, Executive VP and CHRO, Anthem Insurance, Inc.

efficiency,” a choice of 29 percent of survey respondents. “It is the first thing our business leaders would think of.”

For this reason, he argues, the best way for HR to gain support for technology investments is to focus on dollars and cents. “HR needs to first focus on the value it brings, and improving efficiency is the first step,” Tomas says. “How we do things faster and better and yield better margins” using technology.

Employee self-service portals, for example, are bottom line-oriented, he notes. Anthem’s U.S. workforce has grown from 48,000 when he joined three years ago to more than 53,000. This rapid growth led to an initiative to improve the employee portal by expanding the pool of self-service HR applications. The goal: to reduce the volume of calls that the employee call center must handle and cut costs accordingly.

More demonstrations of value like the one Tomas was able to make would most likely lead to greater investment in technology tools. Forty-four percent said their organizations had invested in software to help HR use data more strategically, and 30 percent had approved new positions for HR to hire people with data and analytics skills. Twenty percent said their companies weren’t doing anything to improve the use of data.

Clearly there is room for enterprises to improve their support for HR’s efforts to use technology to be more strategic. “We bemoan the same state of the union of HR year after year,” observes Ray of The Conference Board. “But if you ask HR people to be strategic, it requires skills and tools. We would not ask finance to do forecasting without the necessary skills or tools.”

CONCLUSION: TIME FOR ACTION

It’s clear from the survey that CHROs and their business partners want an HR organization that anticipates the talent capabilities required for a high-performance culture that achieves their business strategy and growth objectives. It is also clear that technology is viewed as important to advancing this strategic role for HR. In some areas, this is occurring. It is also clear that to more completely fulfill the promise of technology requires some additional work by CHROs.

It starts with the CHRO having a sound foundation in business. “Everyone must come to the executive table prepared to play,” Ray says. “If you don’t have the big picture of the business, you’re at a distinct disadvantage. Some people in HR continue to struggle with this.”

How do CHROs move their organizations toward a stronger business orientation that can make better use of technology? The work by Tomas and his team at Anthem illustrates a successful beginning.

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Rebecca Ray, Executive Vice President, The Conference Board

From the time he joined Anthem, Tomas has been both an HR strategist and a technology advocate—a dual focus that Ulrich observes among CHROs from the most successful companies. Tomas understands the advantages of various new technologies for HR. He also knows that technology investments must contribute to achieving HR and business strategy. HR’s focus on both strategy and technology has enabled them to become better business partners, Tomas says.

Starting in early 2015, Tomas initiated discussions within his department and with other business executives to establish new priorities for HR. These conversations led to identification of four “pillars” of the HR function at Anthem: operational excellence (including efficiency), motivating performance, building the talent pipeline, and integrating recent acquisitions. Next they developed key performance indicators (KPIs) for each pillar.

When business executives began to define the goals for 2016, Tomas launched what will be an annual process for aligning HR and business strategy. He met with each of the eight other C-suite executives to discuss what they planned to accomplish, and how the four pillars of HR could help them meet their objectives. From these discussions, Tomas formulated HR goals to support the business goals. HR managers assigned to each business unit went through the same process with their business partners.

Technology requirements to support the four HR pillars grew organically from this process. Anthem’s investments include the employee portal as well as software for monitoring KPIs, performance management, pay, and recognition. With the exception of the intranet portal, all of the software is cloud-based. The cost and efficiency benefits of the cloud were advantages Tomas and his business colleagues recognized early on in their discussions. Now, HR is leading the company in adopting cloud-based software, he adds.

The Anthem example illustrates how the effective use of technology by strategic CHROs starts with an understanding of business objectives. Whether adopting cloud-based applications for talent management, creating executive dashboards, or deploying social media for collaboration, HR technology initiatives are more likely to produce the desired results if they address strategic needs directly.

“We no longer focus on an HR agenda and instead focus on a business agenda, which is correlated to strategy,” Tomas says. “This has helped us build a strategic and technology platform for HR.”

METHODOLOGY AND PARTICIPANT PROFILE

A total of 300 respondents drawn from the *Harvard Business Review* audience of North American-based readers (magazine/newsletter readers, customers, HBR.org users) participated in this research.

SIZE OF ORGANIZATION

Forty-three percent were in organizations with 10,000 or more employees, 22 percent were in organizations with 5,000-9,999 employees, and 36 percent had 1,000-4,999 employees.

SENIORITY

Forty-nine percent of respondents were executive management or board members, just over a quarter (28 percent) were senior management, 13 percent were middle management, and 10 percent came from other grades.

KEY INDUSTRY SECTORS

Fourteen percent were in healthcare, 14 percent were in manufacturing, 8 percent were in energy/utilities, 8 percent were in retail, 6 percent were in education, and 5 percent were in the public sector. The balance came from other sectors.

JOB FUNCTION

Fifty-four percent of respondents were in human resources, 18 percent were in general/executive management, 8 percent were in operations/production management, and 7 percent were in marketing/sales/service. Other functions were represented by 5 percent or less of the base.

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