



# Top Five HR Process Integrations That Drive Business Value

A SumTotal Whitepaper

Integration is the new currency of HR. Empirical research reveals that improving HR process, technology, and data integration to eliminate silos and facilitate cross-functional reporting affords significant business benefits. This whitepaper dives into the top five HR process integrations that provide organizations with the most business value.

## Introduction

According to SumTotal's 2010 State of Global People Management worldwide survey of human resources (HR) leaders, organizations with fully integrated HR and talent processes, systems, and data outperform those organizations that have not integrated by 41% across twelve key HR and business operating metrics. The key benefits of integration include:

- Better internal talent mobility
- Decreased voluntary turnover
- Better workforce alignment to overall business strategy
- Improved workforce productivity
- Faster on-boarding (time-to-productivity)

There is little doubt that improving HR integration and eliminating silos affords significant benefits. Based on SumTotal's global survey data, this whitepaper dives into the top five HR process integrations that provide organizations with the most business value.

### Identifying The Top Five HR Integrations

Out of a total of fifteen possible HR integrations, the following five were identified by analyzing organizations' current and future integration plans while taking into account the overall business impact of integrating the processes via technology. The analysis provides a useful guide to understanding not only which HR processes organizations are planning to integrate today, but also which integrations provide the most business value in the long-run.

### Employee Development & Succession Planning

As economies slowly shift from recession to growth, reducing high performer flight is a top priority for HR leaders (ranked #2, just slightly behind improving employee engagement which is typically another casualty of recessions). Indeed, various studies indicate that 45-50% of all high performers are actively looking for new jobs, a percentage that is significantly higher than for low or middle performers. To a typical company, the potential economic impact caused by a mass exodus of high performers is incalculable.

While there are numerous mechanisms available to reduce high performer flight, HR leaders believe that providing career advancement opportunities to employees is the most impactful way (84% of respondents agree). Since research also reveals that career advancement opportunities are a top driver of employee engagement, and retention and engagement are inextricably tied, by bridging employee development and succession planning, HR leaders can bring an impressive arsenal to bear on high performer flight.

Employees are clearly more engaged and motivated when they are empowered with some level of control over their careers and future paths. While HR should not be in the business of building development plans for every employee – as there are always a good number of employees who will not embrace the activity – it can be argued that it HR's job is to provide the appropriate tools to empower employees to take control over their own careers.

By bridging employee development and succession planning, employees can more easily develop themselves for future roles of interest, and nominees who are not ready for advancement can be assigned detailed development plans that guide them to improve the competencies and skills required for new job positions. Learning paths and specific courses can be established for employees to facilitate their career growth (see next section). By providing the proper tools to employees, HR leaders can take a more active role in reducing high performer flight while promoting growth and engagement.



### Employee Development & Learning Management

Development plans help employees improve in their current role, better prepare them for a future role of interest (which is important in the context of succession planning), or both. While employee skill, competency, and behavior gaps are typically identified during the performance assessment process (or a 360 feedback process), learning delivery is a key mechanism to closing the gaps.

Learning for learning's sake is an ineffective strategy. But learning to close skill, competency, and behavior gaps and therefore improve an employee's contribution in a current role or help the employee better prepare for a future role, is something altogether different. Therefore, development and learning processes must be seamlessly linked from both a process and underlying technology perspective. Yet only 29% of organizations have actually made this connection, with another 23% planning to within one year, which clearly indicates that there is still work to be done.

The impact of linking these functions is significant. Organizations that have linked employee development and learning management report:

- Better workforce alignment to overall strategy
- Improved ability to quickly respond to changing business needs
- Higher revenue per employee
- Better internal talent mobility
- Improved workforce productivity

It is important to recognize that the transition between development planning and learning should be seamless to the end user. In other words, the functions should share the same user interface, look and feel, and underlying technology and data. By creating a seamless user experience, recommended courses and programs can be automatically presented to employees within their development plans to facilitate training and coursework.

### Learning Management & Performance Management

All organizations seek to improve alignment between workforce activities and overall business strategies and objectives. This alignment is typically achieved through performance management and goals. Managers and their directs establish goals as part of the performance management process and align the goals up through the organization. Alternatively, the organization cascades goals down to the workforce. In either scenario, it is often the case that employees need specific training to achieve their goals.



If employees are not provided the proper learning resources to complete goals, the impacts can be severe:

- Poorly trained employees who cannot achieve their goals
- The organization is unable to complete its strategic goals and objectives
- Turnover at all levels due to frustration and inability to complete goals

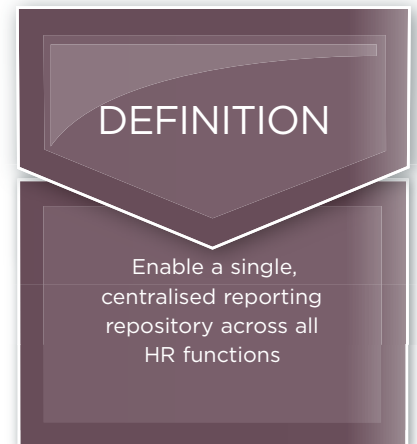
Today, only 34% of organizations have linked learning and performance management to enable learning and training as a key component of employee goal completion. An additional 31% of organizations plan to do so by the close of 2011.

Part of the challenge in linking these functions has been technical in nature. Many organizations continue to use multiple systems (e.g., performance system, learning management system) that are not integrated. Yet many organizations are gravitating toward single platform solutions (more on this later) that natively connect functions such as learning, performance, and goals, thus eliminating the technical integration challenges. Single platform solutions also make it much easier to report on key metrics such as the effectiveness of learning programs on performance since all of the data resides in a centralized repository. With this data in hand, HR leaders are better equipped to monitor and continuously improve their learning processes and programs.

### Reporting & Core HR

Survey data reveals that improving HR reporting & analytics is a key priority for both HR and business leaders alike. Yet a key challenge many HR executives face is accurately measuring the impact of their HR and talent management programs on the business. Part of the challenge lies in the fact that data is spread out in various silos across the organization and there is no common employee system of record.

A single talent management platform that covers the gamut of HR functions alleviates some of the problems (since the data is all in one place and available for analysis). And with a robust analytic and reporting function – standard reports, Excel-based reporting, ad-hoc analysis, dashboards – previously unavailable insight can be gained. Yet fully 26% of HR leaders cannot measure the business impact of talent management programs on their organization, so clearly there is still work to be done.



Survey data reveals high growth plans for strategic, cross-functional HR analytics. Unlike tactical metrics such as retention/turnover (87% of organizations currently using) or time to fill open positions (68% of organizations currently using), strategic workforce analytics provide more meaningful methods for measuring overall HR efficiency and effectiveness. These metrics tend to operate across HR functions and existing data silos. A good example is measuring the impact of learning and training programs on performance, a metric that many organizations implemented in 2010.

A single, centralized talent management platform is a prerequisite for strategic workforce analytics since all of the required data is one place and is readily accessible. In the context of reporting and analytics, adopting a single platform enables HR and business leader to focus more on analysis, insight, and action rather than on data collection and manipulation.

### Performance Management & Compensation Management

Programs that align employees' compensation – merit increases, bonuses, long-term incentives – to their performance have proven to be very effective in driving actual performance. Often called pay-for-performance (P4P), the concept is to build a culture of top performers by aligning goals, performance, and rewards across an entire organization. Motivating, rewarding, and retaining top performers is a key business objective for any company that seeks to successfully maintain or exceed growth expectations.

Best-in-class organizations focus on a performance-driven rewards system that compensates individual contributors directly proportionate to what they achieve and what they contribute to the bottom-line. The challenge lies in effectively aligning employee goals with organizational objectives, automating performance management processes, and linking them with complex compensation policies or time-based incentive plans at an enterprise level.

P4P and merit-based pay programs – especially those that relate to executives – have received renewed interest lately due to emerging legislative and regulatory compliance pressures stemming from the global financial system crisis. Yet less than half of organizations worldwide have made significant technology investments to automate and improve P4P processes. Clearly, there is an opportunity to both adopt the virtues of a merit-based culture while at the same time working toward becoming compliant as new regulations are put into effect. The latter issue will be particularly important for publically-traded companies.

Several natively-integrated components are required to enable P4P, including:

1. **Performance Management:** Automates and optimizes performance processes and aligns employee development and goals with corporate objectives. Performance Management enables organizations to plan employee efforts in support of organizational goals and strategic initiatives, and to evaluate outcomes, performance, and core competencies.



2. **Compensation Planning:** Simplifies planning, modeling, budgeting, analysis, and execution of compensation policies. Compensation Planning enables organizations to develop and apply consistent compensation plans to all employees.
3. **Incentive Compensation:** Motivates employees and manages total financial rewards within an organization. Incentive Compensation streamlines incentive policy administration and provides long-term planning for both market- and performance-based plans, as well as variable pay flexibility for individuals, teams, sales, or executives.
4. **Reporting and Auditing:** Provides accessible and secure cross-functional compliance reports and audit trails of all transactions related to compensation and performance. Reporting and Auditing aggregates key information to facilitate timely decision making.

### **Facilitating HR Integration: From Multiple Systems To A Single Platform**

The HR organization in a typical large global enterprise is fragmented. More often than not, key functions – compensation and benefits, recruiting and staffing, learning, organizational development, performance, succession planning – operate in independent silos. Indeed, only 12% of organizations report that their various HR and talent functions are fully integrated from a process and technology perspective.

Further exacerbating the elimination of functional silos are operating differences among geographies and divisions. Politics plays a role as well. And from a systems perspective, the decades-long proliferation of legacy, standalone, and custom-built HR systems has also impeded integration efforts and made cross-functional reporting a daunting task.

Today, more than 50% of organizations worldwide use multiple systems with varying levels of integration among them to manage their HR and talent processes and data. Yet this number is expected to drop significantly as organizations seek to consolidate and replace their aging technologies.

In place of the multiple systems that exist today, many organizations are planning to standardize on a single “best-of-breed” HR platform. In fact, the use of a single HR platform is expected to grow by 182% over the next two years, and it is not difficult to understand why: A single platform that natively integrates various HR applications, processes, and data virtually eliminates the need for manual and costly systems integration as the processes and underlying technology are pre-integrated out of the box. A single platform approach also facilitates HR reporting and analysis – a top HR priority for virtually all organizations – since all of the data is located in one place.

## Top Five HR Process Integrations That Drive Business Value

Relative to the other approaches (e.g., using multiple systems, using an ERP-based HRMS solution), organizations currently using a single “best-of-breed” platform for talent management technology report significant advantages in these areas:

- Better internal talent mobility
- Improved ability to quickly respond to changing business needs
- Better workforce alignment to overall strategy
- Reduced administration overhead and costs

Other approaches, such as using an existing ERP/HRMS platform or using multiple systems can be viable, but these approaches do have drawbacks. ERP platforms, on the one hand, are widely used to manage core transactional HR data, but they are typically complex, expensive, generally have to be implemented on-premise (vs. a hosted or SaaS model), and fall short of providing truly strategic talent management capabilities. Indeed, many industry analysts believe that it will be several years before legacy ERP vendors provide competitive talent management functionality.

On the other hand, organizations using multiple systems that have been manually tied together may achieve the benefits of integrating core talent processes, but the integration comes at a significant cost. Not only does IT or HRIS staff have to develop the interfaces between systems, but they need to maintain them over time and across upgrades. The development environments typically differ as well, meaning that specialized skill sets are required to support each system. The result is costly administrative overhead to integrate and maintain multiple systems.

What is the business value of a single “best-of-breed” approach? When HR platform approach is correlated to perceptions about the overall business impact of technology, survey data reveals that the single “best-of-breed” approach is nearly three times as likely to be rated “excellent” in terms of business value relative to ERP/HRMS, and more than two times relative to multiple systems that have been manually integrated.

### **Conclusion**

SumTotal’s empirical research clearly reveals the business value that can be achieved by integrating HR and talent processes, systems, and data. It also reveals that a single, centralized talent management platform facilitates HR integration and provides the most value doing so relative to other technology approaches. Integration has truly become the new currency of HR.

### More Information

For more information, send an email to [connect@sumtotalsystems.com](mailto:connect@sumtotalsystems.com)

### About SumTotal

SumTotal Systems, Inc. is the global leader in complete learning and talent management software that enables organizations to more effectively drive business strategy and growth. Recognized by industry analysts as the most comprehensive solution, SumTotal provides full employee lifecycle management, including a core system of record, from a single provider for improved business intelligence. The company offers customers of all sizes and in all industries the most flexibility and choice with multiple purchase, configuration, and deployment options. We have increased the performance of the world's largest organizations including Sony Electronics (NYSE: SNE), AstraZeneca (NYSE: AZN [ADR]; London: AZN), Amway, GKN (London: GKN), and Seagate (NYSE: STX).

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