Finding Strategic Value and ROI in an Integrated Talent Lifecycle Solution

An ADP White Paper

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Introduction

Successful businesses consistently examine new ways to increase productivity, reduce expenses, and conserve resources. Enabled by the proven technology to support it, one emerging avenue that is helping to raise the dual high bar of productivity and operating efficiency is the integration of separate applications and processes that produce seamless, streamlined, high-efficiency results. Consider these industry-specific examples:

- Retailers and retail cooperative groups are leveraging the visibility of integrated systems that automatically adjust inventories and replenish stock as sales are made.[1]

- Competing rail companies are forming alliances to speed cargo seamlessly to multiple destinations over proprietary rights-of-way, with the help of pooled motive power, rolling stock, crews, and operating systems.[2]

- Many auto and truck dealerships in North America are migrating to an integrated dealership management system, in lieu of employing separate, stand-alone applications (typically from different vendors) to manage front- and back-office activities.[3]

The prevailing market trend to integrate business processes to accrue greater organizational benefits also applies to the management of *human talent* – especially when there are distinct advantages in both cost savings and operating efficiency at stake. "Traditionally, HR departments have focused their technology efforts on driving down costs by automating or outsourcing non-strategic, transaction-oriented processes, such as benefits enrollment and payroll administration to enable greater focus on core business strategy."[4] Although the foundation for a cost-effective talent management solution is already established through utilization of a screening and selection solution, this perennially popular business practice in its current form is only an intermediate step toward a greater, strategic goal.

As companies look for more-effective ways to attract, develop, and retain employees in today's brave new world of long-term, skilled labor shortages, the trend toward outsourcing is morphing – taking on a different core characteristic. Outsourcing individual applications to a cast of separate vendors is becoming yesterday's news. Forward-looking HR and C-level executives, tasked with exploring new efficiencies in the management of their talent lifecycle, are insisting on a new standard of excellence: solution integration.

This white paper examines the basic expectations and value that should materialize from implementing a strategic integrated talent lifecycle solution. To arrive at useful answers, we begin with relevant questions:

- *What is the "talent lifecycle?"*

- *What trends and forces are driving businesses toward strategic integration of applications that support the talent lifecycle?*

- *What are the significant drawbacks to a non-integrated talent management solution?*

- *Why establish a strategic integrated talent life-cycle solution?*

- *How can businesses achieve strategic value from adopting an integrated talent lifecycle solution?*

The answers to these questions should help you to evaluate how close you may be to crossing over into the world of an integrated talent lifecycle solution – and what benefits you should reasonably expect when you get there.

Pre-Employment Services

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[1] "A Look at Integrated Retail Systems," MultiChannel Merchant, Ernie Schell, October 1, 2006.

[2] "Union Pacific and CSX to Introduce a New Produce Service in 2006," Union Pacific Railroad, August 2, 2005.

[3] "Dealer Services," ADP 2006 Annual Report, Page 18, August 28, 2006.

[4] "HR BPOs Impact on Workforce Lifecycle," HRO Today, Phil Fersht and Jason Corsello, May 2005.

What is the "Talent Lifecycle?"

In its most generic sense, the talent lifecycle includes the five phases of an employee's association with an employer – sourcing, recruitment, screening, onboarding, and development.

Sourcing is finding, networking with and marketing your organization and opportunities to both the active and passive candidate.

Recruitment involves the identification and acquisition of candidates whose talents meet the stated needs of the business.

Screening is the review and evaluation of a candidate's background, suitability, fitness, and qualifications.

Onboarding is the process of converting a successful job candidate into an employee who is ready to serve the needs of the employer.

Development is the period of active employment during which employees acquire additional skills and capabilities, over the course of their career, to help them grow within the company.

In a perfect world, with abundant work opportunities and skilled candidates to fill available job slots, talent lifecycle management might be considered an academic exercise for many HR departments. However, there are unprecedented trends and forces at work pressing employers to do more than simply manage their talent lifecycles. They also have to produce measurable results with optimized outcomes.

What Trends and Forces Are Driving the Need to Manage the Talent Lifecycle?

Tom Friedman's *The World is Flat* thesis has arrived at the doorstep of HR departments across the landscape. Today, employers of all sizes are competing for the same outstanding individuals – those proverbial "best" candidates in the market. A number of factors are driving the intensity of the competition to

a critical level, forming a "perfect storm" scenario:

- *There is a growing shortage of skilled talent in the work pool –* According to the U.S. Bureau of Labor Statistics, the United States is on course to "experience a shortfall of 10 million workers by 2010."[5] The National Association of Manufacturers, for example, reports that eight out of ten companies in the U.S. manufacturing sector are already experiencing difficulties hiring and retaining skilled workers.[6] The chronic labor shortage is forcing employers to think long-term and out-of-the-box in order to retain workers they have developed into increasingly valuable human capital.

- *"Baby Boomers" are starting to leave the workforce –* "The baby-boom generation is a demographic term for the population born between 1946 and 1964."[7] This category of 76 million employees – about half of the U.S. workforce – "currently earns almost $2 trillion in annual income, controls more than $7 trillion in wealth, owns 77 percent of all financial assets in America, and represents 50 percent of all discretionary spending power."[8] Of greater significance is the fact that the oldest members of this group will begin leaving the workforce this year, causing a labor shortage. Here is why. "As far back as 1960, the American economy has benefited from strong growth in the 20-to-64 age group, historically considered the primary source of the labor force. However, starting around 2010, a demographic shift will begin, resulting in a large increase in the 65-and-over age group and a decline of the 20-to-64 group."[9]

- *Technical skill requirements are increasing –* As the industrial economy gives way to an expanding service economy within the United States, technology is playing a greater role in how many jobs must now be performed. Greater educational requirements are further

[5]"The Next Big Thing in Online Recruiting," CareerJournal.com, Peter D. Weddle, April 9, 2006
[6]"Keeping America Competitive," National Association of Manufacturers, http://www.nam.org.
[7]"Boomer workforce exodus may leave knowledge gap," Oakland Tribune, Martin Ricard, August 13, 2007.
[8]"Preparing for Baby Boomer Retirement," James J. L'Allier, Ph.D., and Kenneth Kolosh, www.clomedia.com
[9]"Preparing for…" L'Allier and Kolosh.

worsening the shortage in available skilled talent. For instance, take the need for qualified auto and truck repair technicians. Fewer candidates are entering tech training schools. "According to a Dept. of Education study done in 2002, the percentage of students graduating from high school with a concentration in vocational education fell to 25% in 1998, from 33% in 1992."[10] Craig Fry, former director of Technologies Unlimited, an organization that promotes technician training, says more high school graduates are looking for other, more lucrative careers made possible by a college diploma. He laments, "What's happened is that all high school graduates today are encouraged to go to college; a high school's success today is measured by how many of its graduates go to college."[11]

- *More organizations are global –* With an increase in the population of companies with global operations, comes a need for flexible, scalable, and universal tools, platforms, and processes that can help manage the talent lifecycle – whether an employee is selling goods and services to small businesses in New Hampshire or providing customer service from a help desk in India.

- *Mergers and acquisitions –* The trend toward consolidation across all industries is concurrently generating a call for integrated systems that can serve the human talent of acquired companies quickly and efficiently. Integration is a source of savings that merger partners expect. By keeping the histories of all talent intact, the new organization can more efficiently deploy the best acquired talent across the new enterprise.

- *Businesses and their shareholders are demanding greater accountability –* In the post-Enron era, Sarbanes-Oxley legislation has spearheaded a trend for heightened accountability for how company assets –

including human capital – are being managed. Automated, integrated solutions help to provide a high level of corporate transparency.[12]

Each point noted above represents a point of pressure for all organizations that are competing to acquire and retain qualified and productive employees. Given the influence of these trends and forces, it appears we have reached the tipping point where managing talent lifecycles with the wrong tools (manual processes and individual, non-integrated applications) should be considered a bad business practice. Like so many other aspects of business operations, *integration* of the talent lifecycle has become the imperative new necessity.

Why Establish a Strategic Integrated Talent Lifecycle Solution?

A strategic integrated talent lifecycle solution does more than help an organization manage human capital. It brings an exponential factor to the table. As a *strategic* solution, it helps to align the capabilities, goals, and expectations of your employees with the goals and plans of your business.

Businesses clearly benefit when HR – the logical driver and manager of the talent lifecycle – has an active, strategic role in the company. As an example, if HR knows in advance of plans to establish a centralized service call center for all of your customers, HR strategists on your executive team can engage the right resources to help ensure you have technically qualified, vetted, and trained employees ready to make your call center productive by its start date. (Why spend the money to build and equip a high-tech facility without the expectation that it should be productive from the day it opens?)

An integrated solution for talent lifecycle management implies the leveraging of technology and best practices.

- *Self-service technology,* for instance, allows managers access to important data from resumes to performance evaluations, result-

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[10] "The Technician Shortage: How Bad is It?" FleetOwner, Sean Kilcarr, Sr. Editor, March 1, 2005.
[11] "The Technician Shortage…" Fleet Owner.
[12] "Sarbanes-Oxley Compliance: Meeting the Mandate, Maximizing the Outcome," BusinessFinance, Laurie Brannen, June 2005.

ing in more time for the management of core responsibilities. It also enhances the volume of applications that can be reviewed by recruiters and hiring managers, around the clock, wherever they might be. Additionally, self-service tools empower candidates and employees to acquire and share information quickly and conveniently.

- Integrated solutions also help to build an environment of *increased collaboration*. It allows the organization to quickly exchange information and opinions and distill it all into more informed decisions. No longer do two or more people have to be physically in the same room or tethered to a phone to make decisions.

- Centralized, integrated data sharing becomes the core source for measuring business progress through *metrics and analytics*.

The door is closing fast on the ability of many employers that have chosen to compete by managing individual talent management phases, one application at a time. It is like a football team owner that decides to hire several head coaches: one to focus on the team's passing capabilities, another on running capabilities, yet another on the team's ability to block, and so forth. Without a comprehensive, real-time view of the entire playing field by *one head coach* – with access to all the tools and information to scrutinize every aspect of the game on-demand – the team owner can easily see his or her team consistently lose. The same goes for business decision-makers who choose to manage several separate applications rather than tap an integrated database fed by real-time information.

A senior analyst at the Yankee Group reports that a growing number of vendors are producing "all-encompassing solutions" to tap the single-vendor market preference. "What we're looking at in terms of the technology solutions on the market is how they're quickly becoming more integrated solutions. There's really a convergence that is happening."[13]

From a quantitative perspective, according to one report on the implementation and management of talent strategies, "almost one-third of companies polled (are) now buying more than one TM (talent management) application from a single vendor."[14]

What Are the Major Drawbacks to a Non-integrated Talent Management Solution?

To appreciate the benefits of a strategic talent management solution, it is important to understand the liabilities that you can expect to occur in its absence. A non-integrated, non-strategic approach to talent management clearly places an organization at a severe competitive disadvantage from a number of perspectives.

First, there is the *lack of visibility*. Non-integrated solutions deprive an organization's management of a clear and complete view of the needs of the entire business. This impairs the ability of decision-makers to make strategic choices on behalf of their business.

Second, applications supported by different vendors means information is stored in different databases which all but *eliminates practical and timely use of real-time information.* Database disparity is a prime cause of ineffective exchanges of information or exchanges that are at the very least inconvenient. Take the simple example of a recruiting application that cannot seamlessly populate HR and payroll files to achieve the swift and accurate onboarding of a new employee.

Third, non-integrated, stand-alone applications – ones that cannot leverage the power and usefulness of each other's information – contribute to an *environment of inefficiency*. Systems or solutions that cannot seamlessly share information open the door to human intervention embodied in practices such as the rekeying of data to transfer information from one electronic silo to another. This not only slows outcomes, but also leaves them prone to human error and inconsistency.

Finally, beyond any benign ineffectiveness and

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[13] "The Market for Workforce Lifecycle Management Solutions," Brian Summerfield, www.wpsmag.com, March 10, 2005.
[14] "Talent Strategies," Human Resource Executive Online, Jason Corsello, October 2, 2007.

inconvenience, resides an even greater problem with attempting to manage a non-integrated talent lifecycle – the danger of *increased business risk.* Human error is the doorman for heightened regulatory risk that can arrive garbed in any number of ways. How about legal ramifications of making a bad hire because of an insufficient pre-employment background check? Or missing out on an opportunity to collect lucrative employment tax credits (for which your employees were pre-qualified) because your business simply did not meet the administration deadlines?

Other business risks that can victimize your business might not involve plaintiff lawyers or regulatory agencies. However, you could take little comfort in their absence. What if – in the absence of an integrated recruitment solution to help swiftly evaluate, route, and review job candidate applications – some of your best candidates chose to go elsewhere because you simply could not get your act together and make them a timely offer?

Finding Strategic Value in an Integrated Talent Lifecycle

Companies earn profits by generating revenue and keeping operating costs as low as possible. Effective talent management should and can be a key player in the quest to improve bottom-line performance.

One news company executive plainly did the math: "A 10,000-employee company with a 30 percent turnover rate will spend more than $120 million to fill those positions," he observed. "If you can drive turnover down by even 10 percent, there's $40 million in savings. What have you learned from this? That managing your newspaper's talent is the single most important contribution you can make to the bottom line. Doing it right will create a highly engaged and productive workforce that will create shareholder value."[15]

In addition, publicly traded companies known for being at the top of the curve for managing their talent lifecycles – like those on the FORTUNE "Best Companies to Work For in America" list – are rewarded for effective talent management in a similar way – through increased stock value. A recent award-winning study (2007 Moskowitz Prize for Socially Responsible Investing) that explored the relationship between long-term stock performance and employee satisfaction by comparing a portfolio of stocks chosen for the 1998 FORTUNE list reveals "the portfolio earned more than double the market return by the end of 2005, in addition to outperforming industry- and characteristics-matched benchmarks."[16]

According to research from The Hackett Group, talent management is, indeed, a good corporate investment, citing that "by excelling in talent management, the average Fortune 500 company can generate a nearly 15% improvement in Earnings Before Interest, Depreciation, and Amortization (EBITDA)."[17]

Concludes Hackett HR Practice Leader Stephen Joyce, "The best companies treat employees the same way they treat their business lines, as something to be carefully analyzed and strategically developed in support of their business goals. They determine the skills, competencies, and experiences needed to run their company over the next few years, quantify the gap between their needs and their current resources, then acquire the expertise they need through a combination of staff development and hiring. As a result, they are more competitive in the marketplace, and this is reflected in improved earnings."[18]

The Hackett Group study also noted that the best performers in managing the talent lifecycle "are also 57% more likely than their peers to have a formal HR strategic plan in place…and 50% more likely to link their learning and development strategy to their company's strategic plan."[19]

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[15] "Talent management now!" Newspapers & Technology, Ken Columbia, March 2005.

[16] "New Study on Employee Satisfaction and Long-Run Stock Performance Wins 2007 Moskowitz Prize for SRI Research," Center for Responsible Business, University of California at Berkeley, November 5, 2007.

[17] "Companies Can Improve Earnings Nearly 15% By Improving Talent Management Function," CRM Today, July 25, 2007.

[18] "Companies Can Improve…" CRM Today.

[19] Ibid.

No one is embracing the strategic value of these talent management trends more than the HR services/outsourcing market. ADP is among a number of software and service providers that have entered the market with talent lifecycle management solutions.[20] It provides integrated talent lifecycle management tools to employers of all sizes. The suite of ADP services supports workforce planning, sourcing, recruiting, screening, onboarding, and internal mobility. ADP primarily designed its talent lifecycle management suite to help recruiters and hiring managers, with ample access to information by C-level decision-makers.

Because integration is a key enhancement for many of ADP's business process solutions, the company's automated talent management solutions are meeting the high expectations of the marketplace. Especially important is the fact that ADP's widely used payroll and benefits administration solutions can seamlessly import candidate information from HR in preparation for onboarding.

As more employers recognize the necessity of strategic integration of talent management applications, the market is responding with integrated solutions. By collaborating, the employer and the service provider can be successful, particularly when the focus remains on the vital role that talented people play in the business success equation. Business plans succeed when the organization's people succeed.

"In the end, an organization earns a reputation as a great place to work if the individuals touched by each stage of its employment lifecycle feel they have had a valuable experience."[21] Certainly, it helps when the CEO views a company's talent "not as an expense, but as an investment."[22]

For any employer, what really matters is that you understand what the most efficient – that is, *integrated* – talent management can do for you, and use it as a strategic tool to improve the performance of your business.

Conclusion and Take-Home Points

Here is a recap of key points that you should take away from reading this white paper:

A) Managing the talent lifecycle with non-integrated applications can place an employer at a severe competitive disadvantage.

B) A market-wide shortage of skilled labor, "Baby-Boomer" workforce departures, employer globalization, mergers and acquisitions, and better management accountability are some of the key trends that are driving employers to adopt a strategic integrated talent lifecycle solution to gain a competitive edge.

C) There is a prevailing trend toward *integrated solutions* for talent lifecycle management provided by one vendor.

D) A strategic, integrated talent management solution increases business efficiency and profitability by helping to align an employer's human capital assets with its business goals.

E) Companies that engage a strategic, integrated approach to talent lifecycle management are likely to be more competitive, and rewarded by improved performance and earnings.

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[20] ADP provides market-leading HR, payroll, benefits administration, and other services to employers in the United States and globally.
[21] "Is Your Organization a Talent Magnet?" Right Management, October 9, 2006.
[22] "What's on the technology horizon?" Computer Technology Review, June 2003.

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