Move from Operational to Strategic HR:

An HCM Maturity Model for Business Success

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Introduction to the 2023 Maturity Model

The relationship between employer and employee is being utterly transformed, and businesses must adapt quickly if they are to retain their most powerful engine of competitive power – their employees. Changing expectations, a move to a more hybrid workplace, and complex regulatory initiatives have put every HR department under pressure to **focus on creating the kind of exceptional employee experience (EX)** that attracts, and retains, the very best staff.

Whether a business employs 50 people or 5,000, there is a need to become **more responsive** to employee expectations and operational demands. Being more data-driven, strategic in thinking and more focused on HR best practices in turn delivers better EX.

This Maturity Model outlines a proven approach to maturing HR practices to help HR teams meet the needs of the next decade, and become strategic partners and advisors to leadership, helping transform their business.

Whether your business employs 50 people or 5,000, there is a need to become more responsive to employee expectations and operational demands.

This Maturity Model

The model provides a common framework to identify how businesses can improve EX using technology and improved process. Based on decades of work with HR departments in businesses as small as only a handful of employees through to organizations of many thousands, our technology partner, isolved, has created a maturity model that reflects the common trends and growth path across many industries, businesses and sizes of company.

No business is going to exactly fit in every step, but the model is broad enough and deep enough to help HR professionals do **three important things for their business and their employees:**

1. Identify		2. Goals		3. Action

1. **Identify** the behaviors and challenges that indicate where the organization stands in its growth.

2. **Set** goals for delivering a better employee experience and more efficient HR processes.

3. **Create** an action plan for capabilities to focus on, that will deliver growth and value at every stage.

There is no one-size-fits-all plan for employers or HR processes. Equally, it's not possible to simply leap in a single step from the most basic, manual set of HR processes and capabilities to the most mature. Rather, this model will help teams align clearly on where they stand, agree on what is important to the business to deliver a better EX and set achievable, meaningful goals to drive improvement. In other words, what's your next-best step?

When reading through this model, it's important to remember two things:

First, "maturity" is a measure of how efficient, effective and aligned HR processes are with business objectives. Even large, sophisticated businesses, operated by highly skilled and dedicated professionals, can have relatively immature processes. Lack of maturity does not equate to a lack of skill, a lack of commitment, nor a lack of maturity on the part of the people involved. Rather, think of the maturity of the process as being defined by many factors, which may be outside of the control of the people involved. Or a process may be trapped in an immature phase as a result of historical precedent or stakeholder influence. Whatever the reason, the goal is to move to more mature phases in a deliberate and thoughtful way, and when the time is right for the business and employees.

Second, we are seeking to improve the "return on employee experience." Good EX delivers many benefits. Reduced costs, productivity, creativity and, of course, retention all improve as EX improves. As a result, this model is designed not simply to improve process efficiency by itself, but to reduce costs, improve effectiveness, and deliver better EX at every step so the HR team can be more successful in retaining the best talent, reducing costs and improving productivity through better engagement.

The Five Phases

There are many nuances and complexities in any business function, and especially so in the complex and rapidly changing world of HR, nevertheless it is possible to break down the maturity of HR into some very broad phases. In this model we have used five phases that align to both the level of maturity of a process, and the capability to deliver a return on EX.
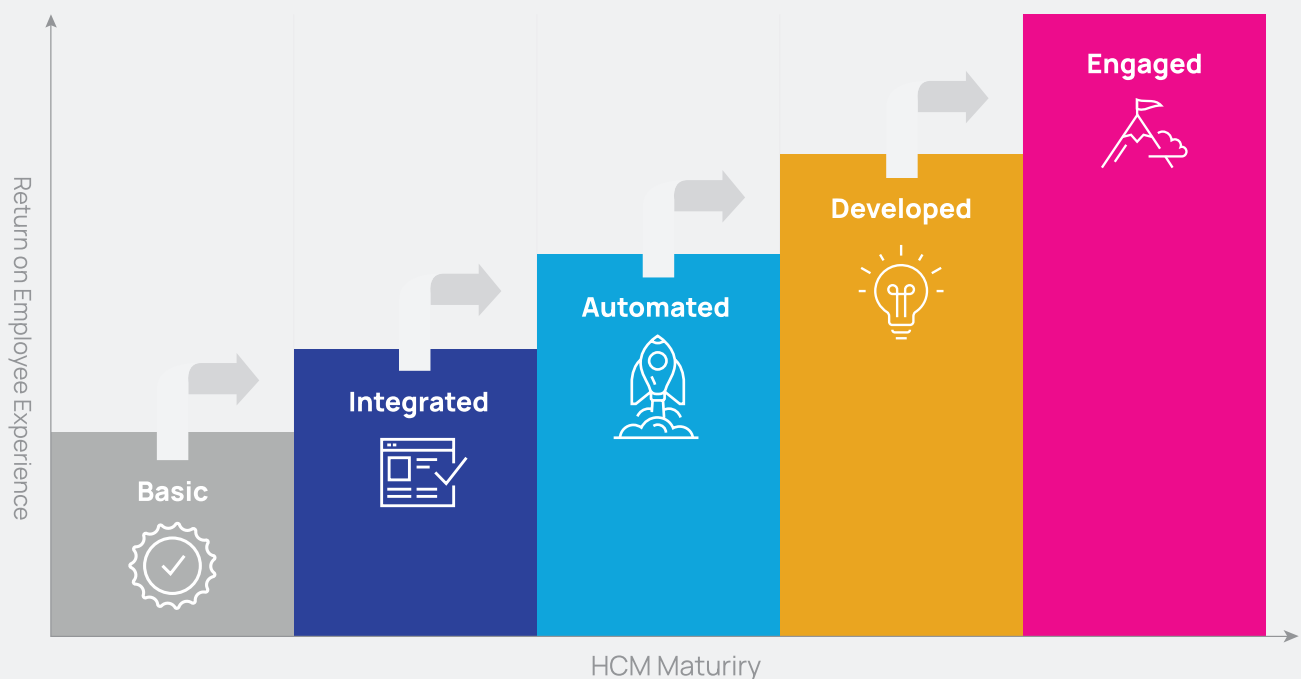
Phase 1

Many companies still operate at this initial level of basic HCM capabilities. The HR processes are highly manual, often managed by a small group of HR people, or for smaller businesses, someone who has a part-time role in HR.

- Processes are **time-consuming** and **slow and therefore expensive**

- Employee **data is fragmented**, and **difficult to access**

- Errors are **expensive and frequent**

- **Difficult to focus** on improving employee experience
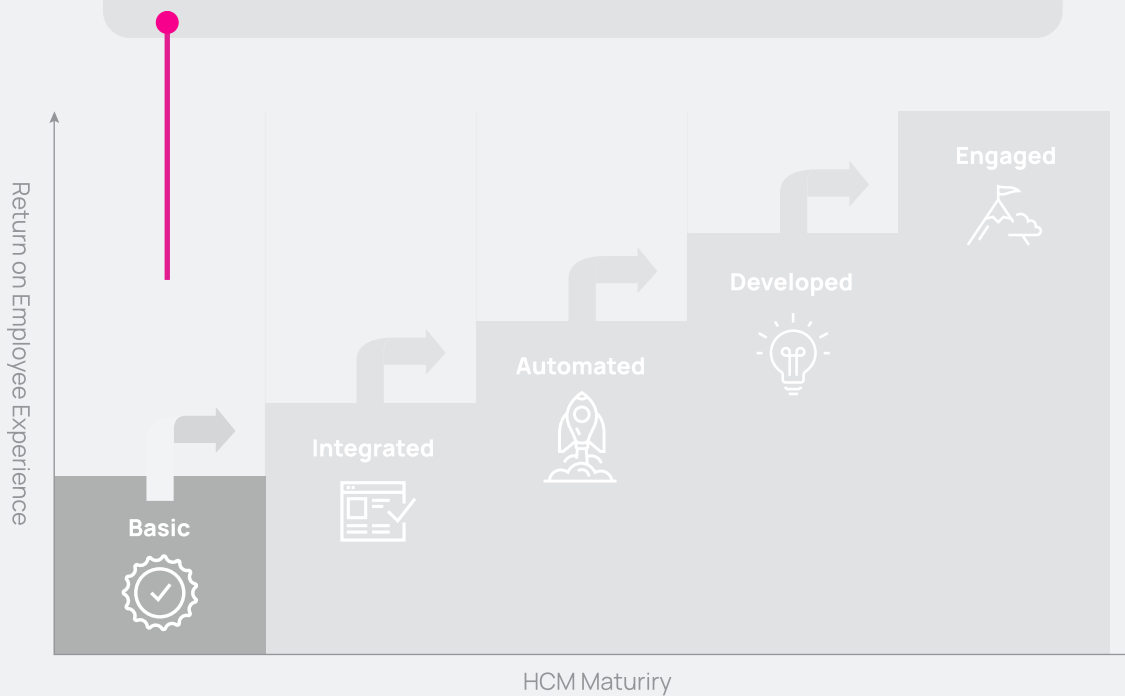
As a result, it can be difficult to deliver reliable and timely results. Errors occur in basic functions such as payroll, tax reporting and benefits administration; errors that can be expensive and deliver bad experiences to employees.

Neither manager nor employee is clear on what's happening or when, and it can be very challenging to onboard new employees and retain good ones.

What to do next in Phase 1

Being able to respond to the ever-changing needs of the business, peers, and employees requires both a significant degree of agility (often achieved by automating day-to-day processes) and access to reliable information on your employees.

So the first step is to begin tying together data sources into a single location, a source of truth for everything the HR team plans to automate and build later. Anything for which there are paper records is a good candidate, and following that, anything in which non-structured data is stored (for example, keeping information in Word documents, spreadsheets, notes, etc.).

A single source of data, or a source of truth for everything, is essential to successful automation and building future plans.

This will enable a much clearer picture of the workforce, costs for hiring, retention trends, and so on. Additionally, minimizing the number of disconnected systems will help in preparing to automate manual processes such as basic tasks like payroll.

This ultimately allows HR teams to spend less time working through data issues and correcting problems, and more time building efficient approaches to hiring, onboarding and reporting.

While each improvement may seem incremental at first, these first few steps will lay the foundation for far more significant improvements in the future.

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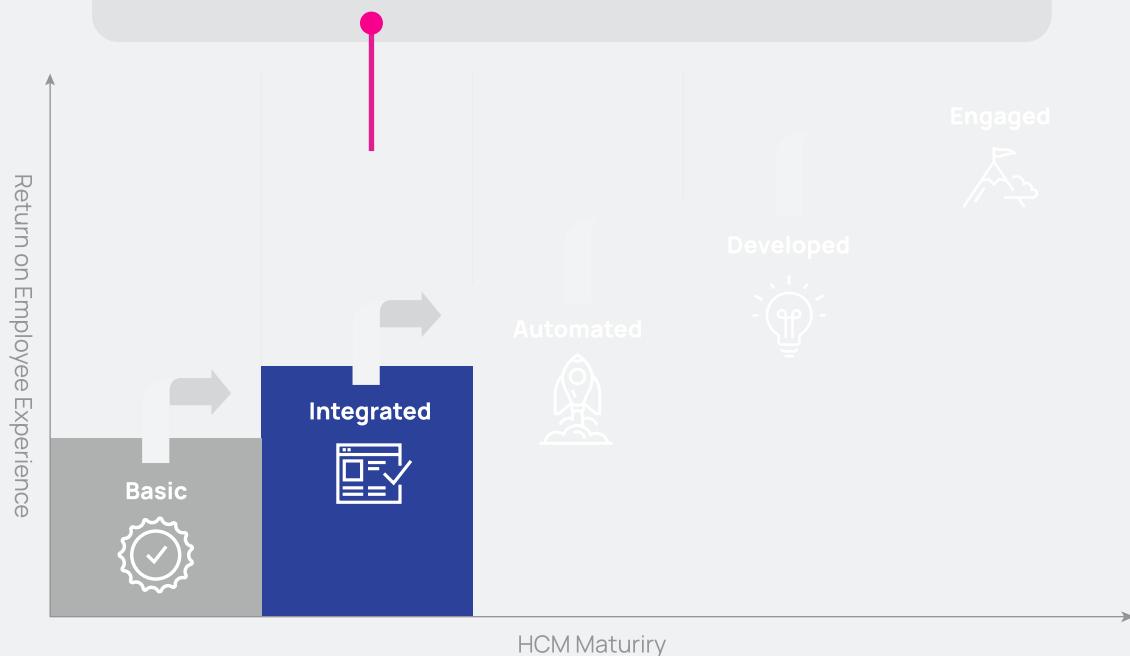PLATINUM GROUP 20+ YEARS

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Phase 2

Now information is more centralized, and employee data is being stored less and less on paper and more and more digitally. Additionally, there is better integration of digital data stores that allow a clearer, more complete view of all aspects of the employee as an individual and the workforce as a whole. This enables far more strategic decision making as now analytics can be used to both look for trends in employment and to model, at a basic level, the likely outcomes of future decisions.

Employee data is now centralized on a single platform

- **Reduces** errors
- Makes management **easier**
- **Less time** hunting for information
- Workflows **streamlined and faster**

Engaged

Developed

Automated

Integrated

Basic

Return on Employee Experience

HCM Maturiry

How to measure success

Success here is measured in the reduction of data sources that HR teams use in managing the employees and reporting on activities such as payroll, tax, compliance and other critical HR functions. Additionally, ease with which information can be found (and reported to stakeholders including the employees themselves) and increasing capacity to focus on additional tasks (as a result of spending less time searching for information or updating multiple data stores) is a key success metric in this state. Improvements here result in less errors and confusion, and greater efficiency for HR teams and businesses.

What to do next in Phase 2

As HR systems mature, and HR teams are able to centralize employee data and HR processes, it's now possible to start reducing the effort in delivering HR services by using that integrated platform as a foundation to automate.

Automation of the many HR workflows that the business must manage enables the HR team to go faster, focus on what really counts and reduce errors even further. It also powers growth in the effectiveness of the HR team, acting as a multiplier to their time.

For example, a manual payroll process that may have taken days could be completed in a few hours. This means an HR team's time can be focused elsewhere, on tasks that require more human oversight and intervention. While this may seem obvious, the impact of this automation can be transformational, allowing a single HR/payroll professional to deliver far more than is possible with manual approaches.

This is especially important in those high-touch HR areas around hiring, engagement and retention where automated workflows can deliver a more consistent, improved EX. This can also free up HR team members' time, making them more available and responsive to business opportunities and strategic decisions.

Lastly, automating processes allows for far more employee self-service. This means that not only do employees have a better experience (like experiences they are used to in their everyday, consumer lives), but they are also able to complete tasks much more quickly and efficiently. This reduces the impact on their time, as well as frees up more of the HR team's time. In short, automation delivers significant value at every step, and for all parties.

Automation will be key to reducing the friction in work and freeing teams from highly manual tasks.

Phase 3

At this point, more and more of the previously manual processes can be automated and as a result HR teams are able to focus their efforts on making a shift from operational tasks to being a source of advice and guidance on reducing costs, improving EX and retaining the best employees. Additionally, the greater degree of automation increases employee self-service. This reduces the disruption to employees who need to access information and make changes, and to the HR team who had to respond to those requests. It also delivers a better overall EX as employees now feel more in control of their own information, benefits, and other HR tasks, including payroll.

- Many day-to-day tasks are **automated**

- Data on employees is **centralized** and accurate – therefore easier to plan

- More employee **self-service** delivers a better overall experience at lower costs

Return on Employee Experience

Engaged

Developed

Automated

Integrated

Basic

HCM Maturiry
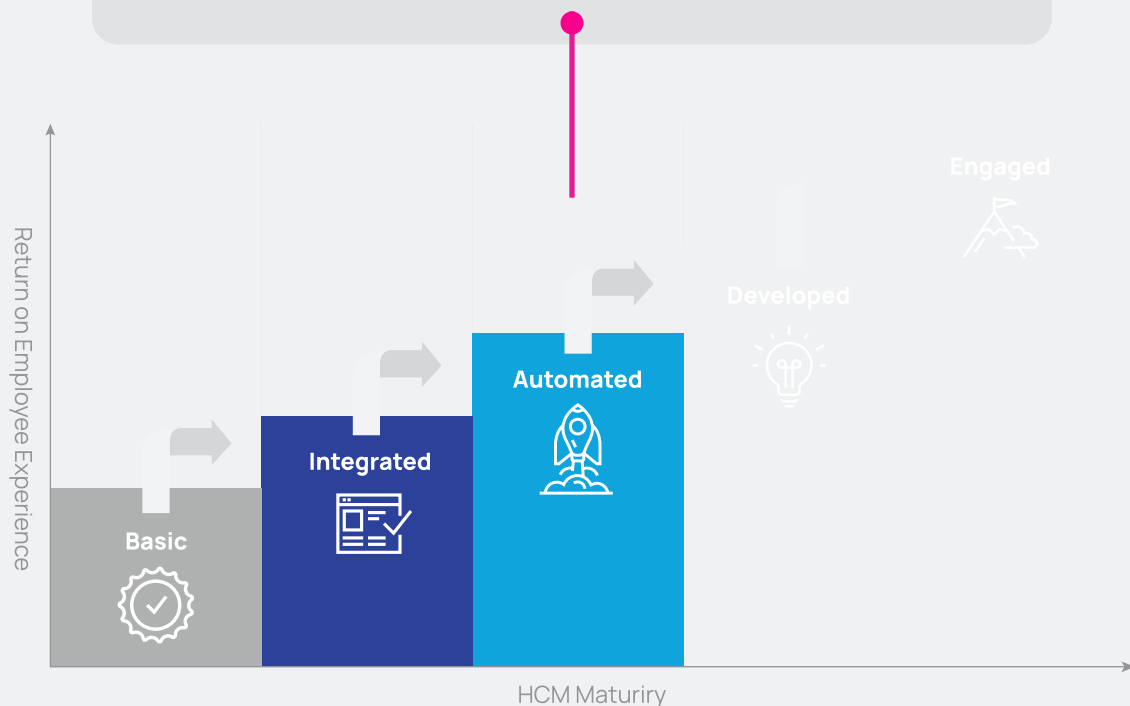
How to measure success
The biggest measure of success for businesses at this stage is the increased capacity of HR teams to focus on new initiatives and the ability to scale operations without necessarily hiring more staff. Automated HR processes in areas like onboarding and hiring can significantly reduce the workload for HR practitioners, and because day-to-day processes are automated, there is a lower chance of mistakes that can also consume time and energy to correct.

What to do next in Phase 3

Now that many of the core HR processes are running more smoothly, it is time to focus on key areas such as:

Accelerating onboarding and productivity

Delivering more strategic insight to the business

Focusing on retention and development of employees

At this point, the HR team has the engine for HR efficiency working well. Data is centralized and processes are automated. So now is the time to focus on fully driving strategic insight for business leaders while also driving down costs (such as cost to hire and cost of replacement) by deeper analytic and trend review.

Phase 4

With so much of the core HR processes automated, and data and insights into key metrics like turnover, cost to hire, retention trends, and so on more readily available, HR teams are able to focus on two areas:

1. Developing even greater insight in future trends affecting employees
2. Investing more time in ensuring employees have access to the training and skills development they need to both be more productive and grow their own careers

- Business leadership has access to much **better information** on employee trends

- Employee experience is improving, and **retention is better managed**

- **Productivity is improved** because employees have access to training when they need it

Engaged

Developed

Automated

Integrated

Basic

Return on Employee Experience

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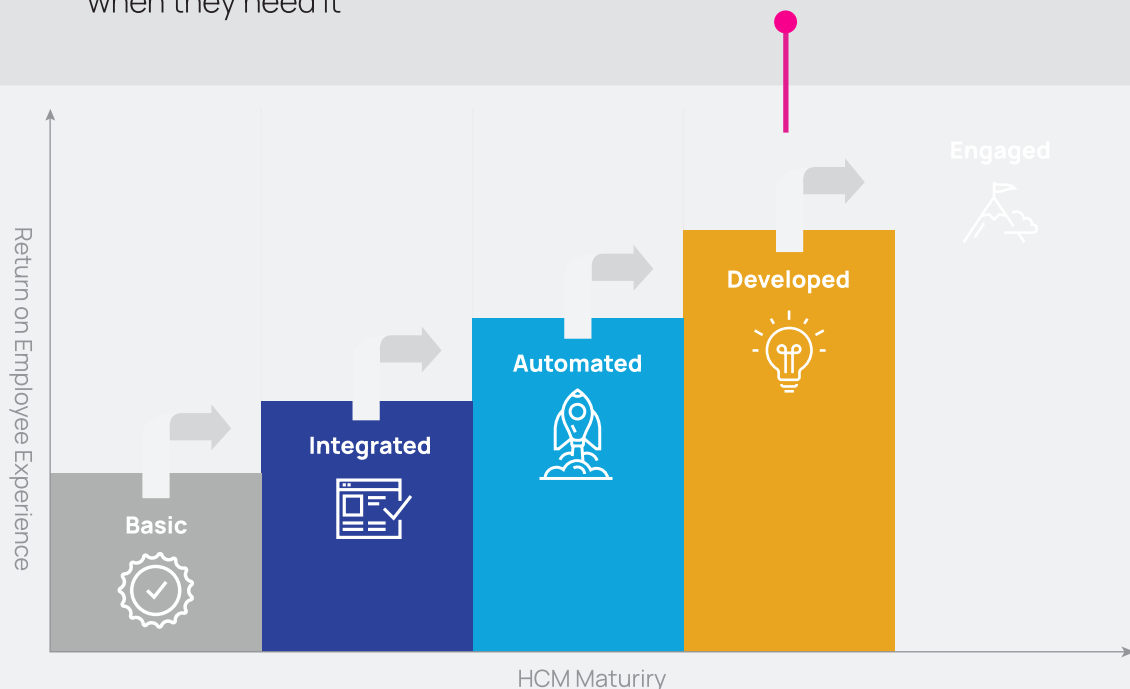
How to measure success

Success here is measured in the ability to identify trends in your employee base early, to predict the likely outcome of changes made to things like compensation, hybrid work, even the composition of a management team, and to respond more rapidly to changes in business needs. Using analytic tools means that the HR teams will be able to shape the development of your employees, ensuring they more clearly understand what training is needed and when.

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Employees will also have access to better skills development paths, both to more easily meet the requirements of their current role and also to position them for growth in the business.

Simply put, employees will be more empowered, and better engaged, while the HR team and business leaders will have access to more insightful information to make data-driven business decisions. The HR function is now more responsive and data-driven, and therefore able to predict, and meet, business needs more rapidly than ever before.

What to do next in Phase 4

At this point the HR team is operating close to industry best practices. Processes are automated, employees are empowered and feeling more engaged, and HR teams are able to focus on new initiatives.

This is the point at which the HR function is changing fully from an operational function to a strategic driver of the business.

Better able to connect data to business outcomes, the HR team must continue to partner with internal IT teams and technology suppliers to further engage employees with even greater self-service capabilities. They should also focus on delivering deeper insight to senior management on business strategy, based on their ability to better track and manage the full employee lifecycle. They will also be in a position to present forward-looking projections, based on reliable modeling, for the outcome of operational changes in future capacity to meet business goals.

Additionally, the opportunity to engage the workforce more deeply through a wide range of channels is available as a direct result of efficient HR processes that have unshackled HR teams from day-to-day operational roles.

Perhaps most powerfully, with the combination of better insight into employee behavior trends, automated self-service, and access to more training, a culture of collaboration and growth can be more effectively fostered.

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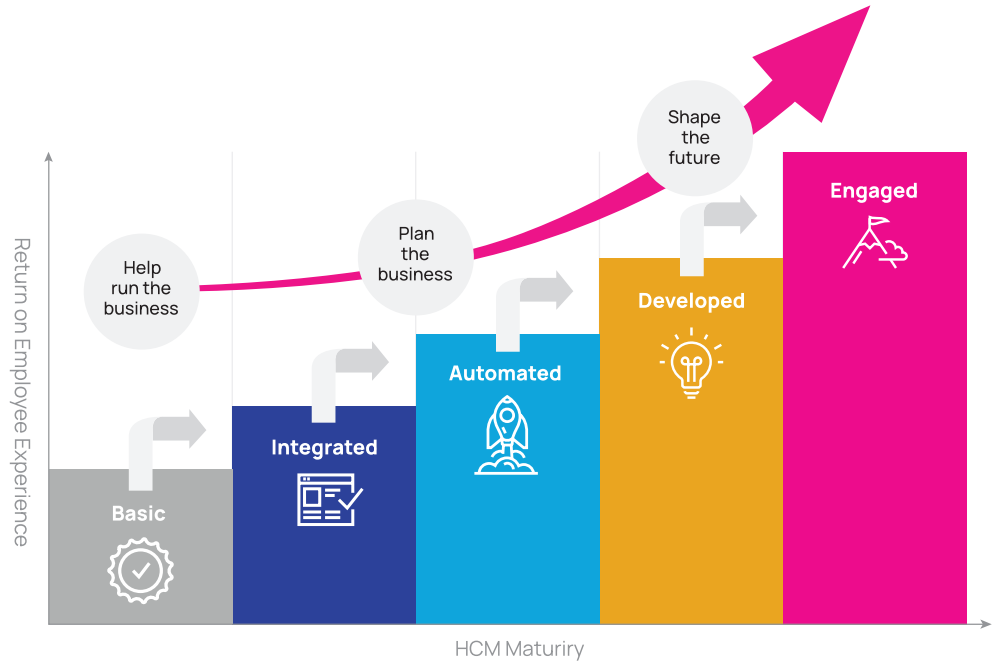828.252.0029, X1

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Phase 5

At this stage, the HR function is fully engaged in doing what it does best – informing the essential link between business goals and EX.

Empowered with automated processes that decouple HR practitioners from time-wasting manual tasks, and with access to deep analytical insight, the HR team is now a strategic advisor to the entire executive team and board.

Basic HR
Core HR
Payroll
Basic time management

Integrated Administration
Benefits administration
Applicant tracking & compliance
Automated time management

Automated Management
Automated onboarding & offboarding
Workforce scheduling

Employee Development
Learning & skill development
Performance management

Optimized Engagement
Career growth
Succession & workforce planning
Organization-wise skills identification and planning

Return on Employee Experience

Help run the business

Plan the business

Shape the future

Basic

Integrated

Automated

Developed

Engaged

HCM Maturiry

Employees are engaged and empowered to manage their employment, and to develop their careers. Further, they are connected both to each other through collaboration tools, and to the overall goals of the business through clear, measurable goal setting.

As employees become more deeply engaged, they are better connected to business goals that drive the right outcomes. They are more likely to stay with the business, reducing costs and downtime, and they are better able to work together to solve business problems faster and more effectively. This delivers a meaningful return on employee engagement that drives business success.

Overall, the HR practice is at every phase more responsive to changing needs, more data-driven and strategic, and more employee centered, which ultimately translates to a more engaged, better trained workforce, and meaningful competitive advantage in the market.

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How We Help at Each Phase

Regardless of where the business is on its journey, isolved provides technology to accelerate the business outcomes needed, and to improve the efficiency and effectiveness of HR processes overall.

At Phase 1, we recommend evaluating core HR technologies delivered through isolved People Cloud to integrate data stores and functions such as payroll and HR management. This will enable HR teams to reduce errors and time-consuming processes that are often error-prone.

At Phase 2, when it's time to focus more on automation, isolved People Cloud can easily connect core HR functions to the rest of HR tasks; automated hiring, onboarding, workforce management, scheduling and so on. The isolved People Cloud platform also presents employees with more self-service capabilities from their desktop or mobile devices, making it easier for them to manage their own employment and benefits.

At Phase 3, the ability to augment automated process with tools such as isolved Predictive People Analytics will give management teams powerful insight, easily, into employees, and both the costs of running the business and the capability to meet future challenges. This insight presents data-driven opportunities to improve EX through offering benefits that matter.

The learning and collaboration tools within isolved

isolved offers both technology and services to help you deliver the outcomes you need.

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People Cloud open the door for training and skills development as well as better teamwork and knowledge sharing within a business, all of which empower and develop employees, as well as engage them better.

At Phase 4, isolved People Cloud will continue to let the HR department become more responsive, strategic and data-driven, and will present predictive analytics to shape business strategy as well as engagement opportunities for employees within their community through tools like isolved Giving and Volunteering, which connects employees with non-profit organizations. This ultimately enables the HR team to be a strategic agent of change rather than an operational cost center.

By Phase 5, our technology is a core element of the business capability to deliver rapid response to changing business needs, and ultimately drive competitive differentiation in the market. Employees are engaged, empowered and focused on solving the most pressing business challenges, collaboratively, and with access to the tools and information they need. Individual goals are connected to business goals through isolved People Cloud's performance management solutions, and employee reviews are simpler and more consistent to help maintain and foster engagement and career growth.

Senior management also has access to the data they need to make better decisions, and to identify gaps and opportunities in the employee skill set for the future. And the HR department is transformed from an operational function to a key driver of strategic insight.

What the Future May Hold

The future for HR is one in which HR leaders occupy a central, strategic role in helping their business navigate the rapid changes in the workplace and employee expectations that have already started to reshape the workplace.

The HR team of the future will be able to be far more efficient and responsive to changes, able to make rapid, data-driven decisions, model the outcome, and provide strategic guidance to business leaders.

Ultimately, the combination of technology, in-house expertise, and our services will help the HR team of the future navigate a far more complex set of challenges, more easily, and with greater focus on delivering an exceptional EX.

While most businesses are still in the early stages of maturing their HR processes, all can benefit from incremental improvements: reducing workload, simplifying processes and empowering employees to take greater ownership of their work.

Every step is important, and each improvement presents an opportunity to reduce the disruptive manual tasks of the past and allow HR professionals to focus on what they do best, connecting a highly motivated and engaged workforce with the strategic goals of the business for the future.

Next-Best Step
To identify your organization's next-best step, schedule a consultation today!

The isolved Network is the nation's premier federation of HCM service providers ranging from traditional service bureaus to Professional Employer Organizations (PEOs). It is our mission to empower our Network Partners with a single, contemporary, configurable, efficient HCM software platform that enables them to dominate the competition.

Learn more about how the isolved Network can help you strategically grow your business and deliver awesome outcomes with adaptable functionality and a true partnership.

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