



# Dealing with a VUCA World: HR's Investment Opportunity



A more human resource. <sup>SM</sup>

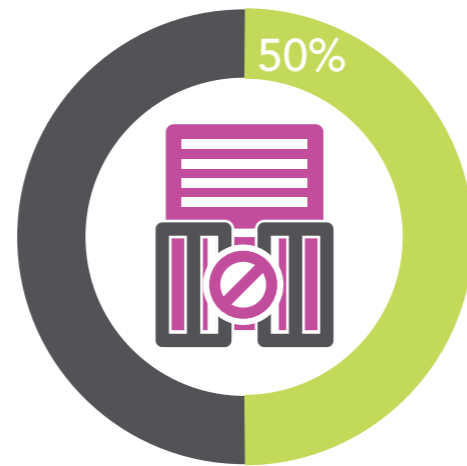
## Dealing with a VUCA World

# What is VUCA all about?

For the past few years it has been causing trouble at business conferences, lurking down office corridors, and even rearing its ugly head within board rooms. So what does 'VUCA' actually mean?

In fact, it's an acronym that has managed to capture our collective imagination by succinctly summing up the troubled times we live in. VUCA stands for a business world that is more Volatile, more Uncertain, more Complex and more Ambiguous than ever before.

VUCA actually arose from a US military term to describe the 'new world order' following the end of the Cold War.<sup>1</sup> But already, the fall of the Berlin Wall seems like much simpler times. Over 50% of Fortune 500 companies from the year 2000 do not exist anymore.<sup>2</sup> They didn't innovate, they didn't use data to make decisions, and they didn't survive because they weren't able to adapt to a VUCA world.



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## Dealing with a VUCA World

# It's hard to keep up with change

As businesses deal with Brexit, currency fluctuations, and batten down the hatches for further upheaval during the US elections, no one knows what will come next. Such shocks are coming with ever greater frequency – you don't have time to prepare, and even if you do, another thing comes along to pull the rug out from under your feet.

At the same time however, we increasingly have the tools at our disposal to ride these choppy waves. In the mid-90s, we worked in paper-centric offices, clocked-in, clocked out, punched holes in time sheets. HR managers had physical files for employees, holiday allowances, trade union negotiations and legislative requirements. Business executives meanwhile would commission workforce analysis and happily wait weeks for a large paper report to come back, heavy with graphs and references.

VUCA stands for a business world that is **more Volatile, more Uncertain, more Complex and more Ambiguous than ever before**

1. Harvard Business Review, 2010, Leading in a VUCA Environment: V Is for Volatility  
2. When Digital Disruption Strikes - Capgemini Consulting, 2014

# The power is at your finger tips

Now, thanks to the internet and smartcloud technology, we have instant access to all the data we will ever need. We can use real time data and instantly respond to changes. At least, that's the theory. In practice, most businesses have failed to catch up with the times and make the most of the tech revolution.

The latest research by PwC finds that only a third of big decisions made by executives are based on internal data and analytics.<sup>3</sup> It is the companies that harness the power of data that will survive and thrive in an uncertain world. So why are we still talking about VUCA, when we should be talking about data? This will be the subject for our following set of thought leadership articles: 'Dealing with a VUCA World: HR's Investment Opportunities with data and talent'.



Only 1/3 of big decisions made by executives are based on internal data and analytics<sup>3</sup>

Most businesses have failed to catch up with the times and make the most of the tech revolution



3. PwC Data and Analytics Survey 2016

## Volatility: Navigate by looking forward, not backwards

### Volatility

Imagine trying to drive a car by only looking at the rear view mirror. Now really imagine it – close your eyes, picture a blacked-out windscreen, feel your foot on the pedal, the speedometer is showing 70 kmh, and in the mirror all you can see is the road winding behind you, with no idea of what's in front of you. It's a terrifying prospect, right?

But that's exactly what most organisations are doing right now. They are making decisions based purely on past information. The data they have available merely tells them what happened before, rather than helping them to see the next big turn in the road, or the rocks falling ahead.

HR teams are especially swamped by an ever-shifting landscape, trying to keep up with the latest technology, the latest government regulations, while [meeting the demands of a diverse workforce](#). Simple things like not having the right pay and benefits information to hand can lead to huge problems. With nearly 6 in 10 companies planning to increase HR spending, only 8% describe their current HR analytics team as 'strong'.<sup>4</sup> To use our car driving analogy, that's like trying to solve the problem by buying a larger rear view mirror.



Only 8% of executives describe their current HR analytics team as 'strong'<sup>4</sup>

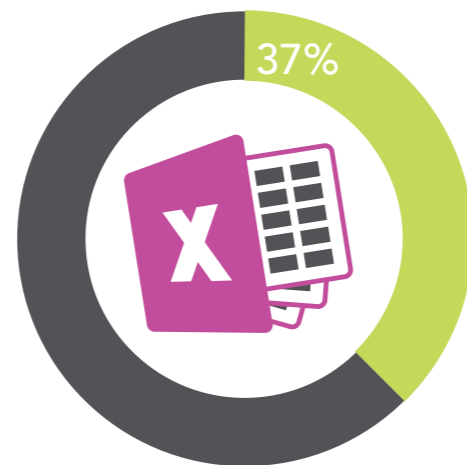
4. Global Human Capital Trends (2015), Deloitte

## Volatility

# Data needs to be consolidated

Organisations just do not have visibility of their people. They can't see what their employees are doing (output), how they are doing (productivity), or even why they are doing it (engagement and motivation). Some don't even know how many employees they actually have at any given time, especially if you factor in temporary workers and contractors. With 37% of mid-sized companies' data left sitting in Excel or similar types of databases<sup>5</sup>, that's hardly surprising.

Too much time is spent by HR getting the right data before they can make decisions or before they can assess the impact of decisions that have been made. Not only is time taken up in getting and collating that data, but also making sure that the data is accurate. Running any business, let alone an international one in this way is time consuming and increases the costs of IT infrastructure, support and maintenance. The [international growth of businesses](#) is limited by HR's ability to cope with local regulation, the flow of new people into the business and consistent data.



37% of mid-sized companies' data is still sitting in Excel<sup>5</sup>

5. ADP Global HCM Study, January 2014

## Volatility

# Data analytics will provide agility

The CHRO is in a unique position to sort this out. The opportunity to use data and predictive analytics to optimise workforce planning has a huge number of benefits – it's all about becoming quicker, simpler, more agile. CHROs need systems that free up their time for strategic issues, with global payroll and training information online and accessible for all employees, managers and directors.

Outsourcing HR functions and centralising data will enable for benchmarking of internal divisions and business units against strategic objectives and HCM indicators. It also provides the added value for multinational companies to free themselves from having to deal with a host of different regulations, employee policies, labour conditions, currencies and languages.

Put simply, 'data visibility' just means having one easy to use set of processes based on real time information: what's in front of you right now, not what happened in the past. Tools provided by an outsourcing partner such as employee self-service, accessibility on mobile software and 24/7 global expert support, provides the visibility and responsiveness the CEO needs to avoid the pitfalls, and make the most of the opportunities, in a VUCA world. HR Outsourcing, clears up that windscreen, making you more nimble and agile, whatever the road ahead throws at you.

Make the most in a VUCA world with:



Employee self-service tools



Mobile access to information



24/7 global expert support

Using data and predictive analytics to optimise workforce planning **has a huge number of benefits**



# Uncertainty: Leading organisations through inexact times

## Uncertainty

What do CEOs worry about more than anything? In a VUCA world there are so many threats vying for attention, some of which have never been seen before. So knowing what keeps leaders awake at night is a valuable insight into what their executive team should prioritise. When PwC ran their annual leadership survey, they found that the highest rated concerns for CEOs were 'Cyber threats including lack of data security' (61%) and 'Speed of technological change' (58%).<sup>6</sup>

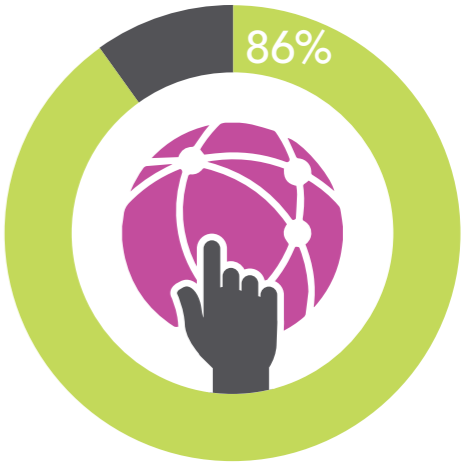
## Technology: The threat and opportunity

They see technology as a threat, but also as an opportunity. The speed of technological change shows an underlying fear of getting left behind. Almost as soon as a company onboards a new IT system, it becomes out of date. Or as soon as you get a new product or service onto the market, a younger upstart company comes along with the next big thing to disrupt it.

CEOs therefore increasingly want to see a watertight connection between digital investments and business objectives; 86% say a clear vision of digital technologies can help achieve competitive advantage.<sup>7</sup>

The highest rated concerns for CEOs are:<sup>6</sup>

-  Cyber threats including lack of data security (61%)
-  Speed of technological change (58%)



86% of CEOs say a clear vision of digital technologies **can help achieve competitive advantage**<sup>7</sup>

6. 18th Annual PwC CEO Survey, 2015  
7. 18th Annual PwC CEO Survey, 2015

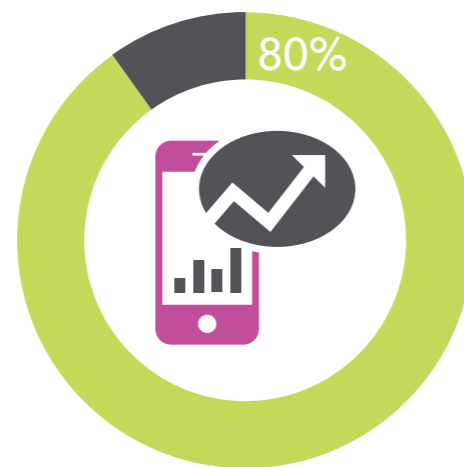
## Uncertainty

# Payroll: The key to aligning talent with strategy

Take Human Capital and [payroll](#) for example. The right technology means that CEOs can align talent management to their strategy through effective monitoring, analysis and reporting. The vast majority of CEOs believe that investments in digital technologies create value for their business, with around 80% saying that mobile technologies and data analytics are key strands of their business strategy.

So is this happening? Not nearly as much as it should be. In most businesses, multiple internal systems cause a considerable drain in time and resources, with the total cost grossly underestimated. [Over 60% of payroll costs are hidden.](#) ADP finds that payroll combined with personnel and benefits administration account for 35% of total HR costs – or approximately £394 per FTE.<sup>8</sup> So the alignment of technology and people processes just isn't happening.

With two-thirds of CEOs now expecting foreign revenues to be greater in three years than they are now,<sup>9</sup> alignment is critical to provide multinationals of all sizes additional flexibility as they grow. Standardisation and outsourcing of HR and Human Capital Management will relieve expanding business from acquiring local payroll knowledge as they settle into new markets and territories, while providing CEOs with the ability to have a snapshot of the talent within their organisation and a direct link with KPIs and business objectives to ensure employees are working towards the same goals.



80% of CEOs say mobile technologies and data analytics **are key strands of their business strategy**

Employees need to be incentivised and rewarded to live by the values, and carry out the business strategy, that the leader sets. However, employees and managers are more demanding than ever, and more likely to vote with their feet. By outsourcing and [transforming the way Human Capital](#) and payroll is managed, CEOs are not only able to align their talent management to their strategy through effective monitoring, analysis and reporting. They can also stay ahead of the competition.

VUCA breeds uncertainty amongst individuals as much as it does amongst businesses. And uncertainty heightens the need to streamline operations and centralise processes.



Standardisation and outsourcing of HR and Human Capital Management will relieve expanding business from acquiring local payroll knowledge as they settle into new markets and territories

8. ADP, Total Cost of Ownership  
9. Global CEO Outlook (2015), KPMG

# Complexity: Why payroll costs are spiralling

## Complexity

"There is no half way with payroll," according to Gordon Ash, HCM Global Sales Executive, at ADP. "You can't be nearly right," he says. "It's either right or it's wrong. And you simply can't afford to be wrong."

No one understands this more than CFOs. Findings from a study conducted by CFO Research in collaboration with ADP show that more than 60% of CFOs have experienced increased pressure to respond to tax, employment and payment-related regulations in increasingly shorter timeframes during the past two years.<sup>10</sup>

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Gordon Ash, HCM Global Sales Executive,  
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60% of CFOs experienced increased pressure to respond to **tax and employment regulations** in increasingly shorter timeframes<sup>10</sup>

<sup>10</sup>. CFO Research (2015), CFO: Can your Finance Team Efficiently Manage the Impact of International HR?

## Complexity

# Payroll compliance, legislation and tax are the biggest headaches

Ernst & Young also find that the key issues organisations face relate to legislative compliance (23%) and consistent payroll processes (18%).<sup>11</sup> Their survey also found that the most frequent payroll errors include incorrect tax withholding and existing payroll operations that are unable to remain compliant with increasingly complex legal or regulatory requirements.

It's only going to get worse. Accenture's 2016 Compliance Risk Study finds a large number (81%) of respondents agree that [compliance](#) will need to optimise operations in order to manage a more complex set of risks under tighter resourcing conditions.<sup>12</sup> If you are an international business, it's even harder. Understanding and managing the volume of multi-country personnel, tax and compliance changes is a monumental task, taking up staff time and resources. Global Finance Directors need to monitor the cost challenges associated with talent management and make strategic contributions to business decision-making. Organisations simply cannot keep pace on their own.

Add to that the climate of VUCA, where governments and trading blocks are becoming increasingly unstable and unclear, and the politics of extreme left and right increasingly appeal to worried electorates: all this is leading to a severely unstable business environment, and ever changing legislation.

The top three issues faced with payroll are:



Legislative compliance



Organisational consistency in payroll processes



Administration costs

Organisations simply cannot keep pace on their own

11. Global Payroll Survey (2014), Ernst & Young

12. Accenture (2016) Compliance Risk Study

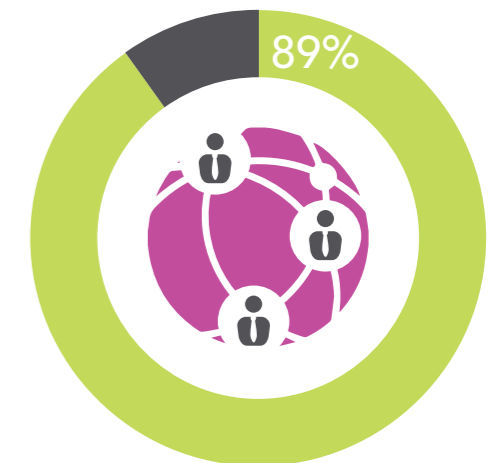
## Complexity

# Data is the key to navigating complexity

The way to deal with this is through impeccable security, easy-to-use centralised systems, and real time data. Yet the Global Payroll report by Ernst & Young finds that while 89% of executives believe a global view of their workforce is essential, only 30% are actually receiving the information they need.<sup>13</sup>

A good finance chief knows the value of utilising the very latest technology while outsourcing the admin and support to an expert, global partner. A truly flexible employee system, instantly updated and supported by the outsourced partner, will open up a range of tax-efficient benefits while promoting [employee engagement](#) and productivity.

When top executives were asked by Ernst & Young to identify the primary issues they currently face regarding global payroll, the top three answers were 'legislative compliance', 'organisational consistency in payroll processes' and 'administration costs'. Put simply, a company needs to know who is being paid, where, how often, and how much, prior to each pay cycle. The right tools and infrastructure make it easy to consolidate data.



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13. Global Payroll Survey (2014), Ernst & Young

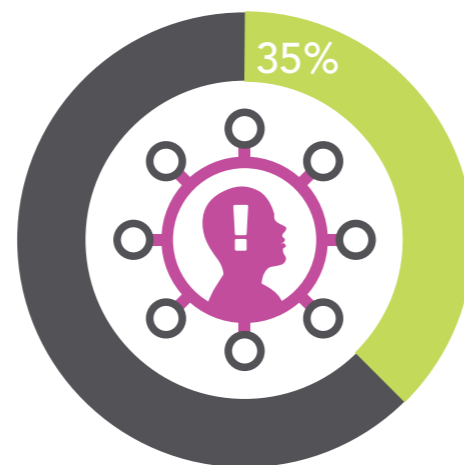
## Complexity

# Not always getting their way

But in the real world, what most CFOs want isn't what most CFOs get. Payroll combined with personnel and benefits administration account for 35% of total HR costs.<sup>14</sup> The administrative burden of managing multiple systems or vendors in multiple countries requires constant consolidation of information and reports. The resources required not only add to the cost but also impacts the ability to make good and timely business decisions. In-house multiple platform payroll administration systems cost 32% higher than a single source, outsourcing solution.

[A single data repository](#) enables financial reporting and analytics by integrating employee data, policies, and processes into one platform. Visibility of the overall workforce requires such standardisation of processes in order to track key metrics and provide insights.

Outsourcing to a single global supplier working across many countries provides access to real-time data while simultaneously increasing efficiency and productivity. Because, to be a business that survives and thrives in a VUCA world, you can't be nearly right. It's either right or it's wrong. And you simply can't afford to be wrong.



Payroll combined with personnel and benefits administration account for 35% of total HR costs<sup>14</sup>

Outsourcing to a single global supplier working across many countries provides access to real-time data while simultaneously increasing efficiency and productivity

<sup>14</sup> Payroll at the heart of HR Outsourcing, ADP White Paper



## Ambiguity: Fragmented systems and data impacts decision making

### Ambiguity

Modern IT solutions are a double-edged sword. On the one hand, we've never had so many tools at our disposal, and so many different ways of crunching organisational data. On the other hand, there's just too much to choose from, too much to do. IT managers and CIOs are left to worry about managing data centres, scaling capacity, configuring and aligning servers, maintenance tasks, data security, and all the costs and upfront investments along the way.

The administrative burden of managing multiple systems in various countries or vendors requires endless effort trying to pull it all together. The resources required not only adds to the cost – it also impacts the ability to make good and timely business decisions. The Global Payroll report by Ernst & Young finds that 89% of all executives believe a global view of their [workforce](#) is essential, only 30% have the information they need. The forces of global expansion and internal technological processes are currently working against each other, not together. And in a disruptive world, it's only the businesses that achieve operational efficiency that will survive to tell the tale.

What we need to do is consolidate data by putting them in the cloud, and streamline operations by outsourcing all the internal processes that we don't need but take up so much of our time trying to get right.

Outsourcing to a single vendor with a single contract provides transparency on the costs making budgeting and financial planning easier, and relieving companies of the tedium of back-office functions. This means they can focus on business expansion and other operational strategies while controlling costs, and providing the flexibility to scale systems according to changing needs and capabilities that a VUCA world brings.

Outsourcing to a single vendor provides:



Costs transparency



Ease the budget planning



Relieve companies from back-office functions

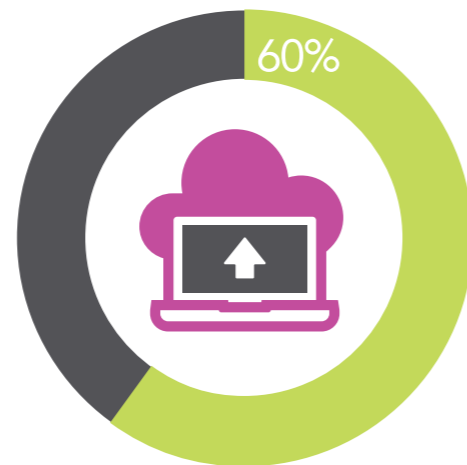
The administrative burden of managing multiple systems in various countries **requires endless effort trying to pull it all together**

## Ambiguity

# Let the data tell the story

Consolidation of systems allows organisations to be as data-driven as they want to be. PwC describes it like this: "Let your data tell the story of where processes can be tightened up, errors eliminated and external spending reduced. Sometimes it is only through building a complete picture of operational activities, and a detailed picture of costs, that the business can spot the patterns that indicate wasteful or inefficient processes."<sup>15</sup>

In a survey of CIOs, 60% of respondents said cloud computing reduced the need for the IT team to maintain the systems, freeing up more time to focus on strategy.<sup>16</sup> This means that CIOs can offer consistent processes and practices across the organisation, providing C-suite colleagues and departments with the visibility and tools they so desperately need to align talent management to global business strategy.



60% of CIOs say cloud computing **reduced the need to maintain the systems**<sup>16</sup>

## Ambiguity

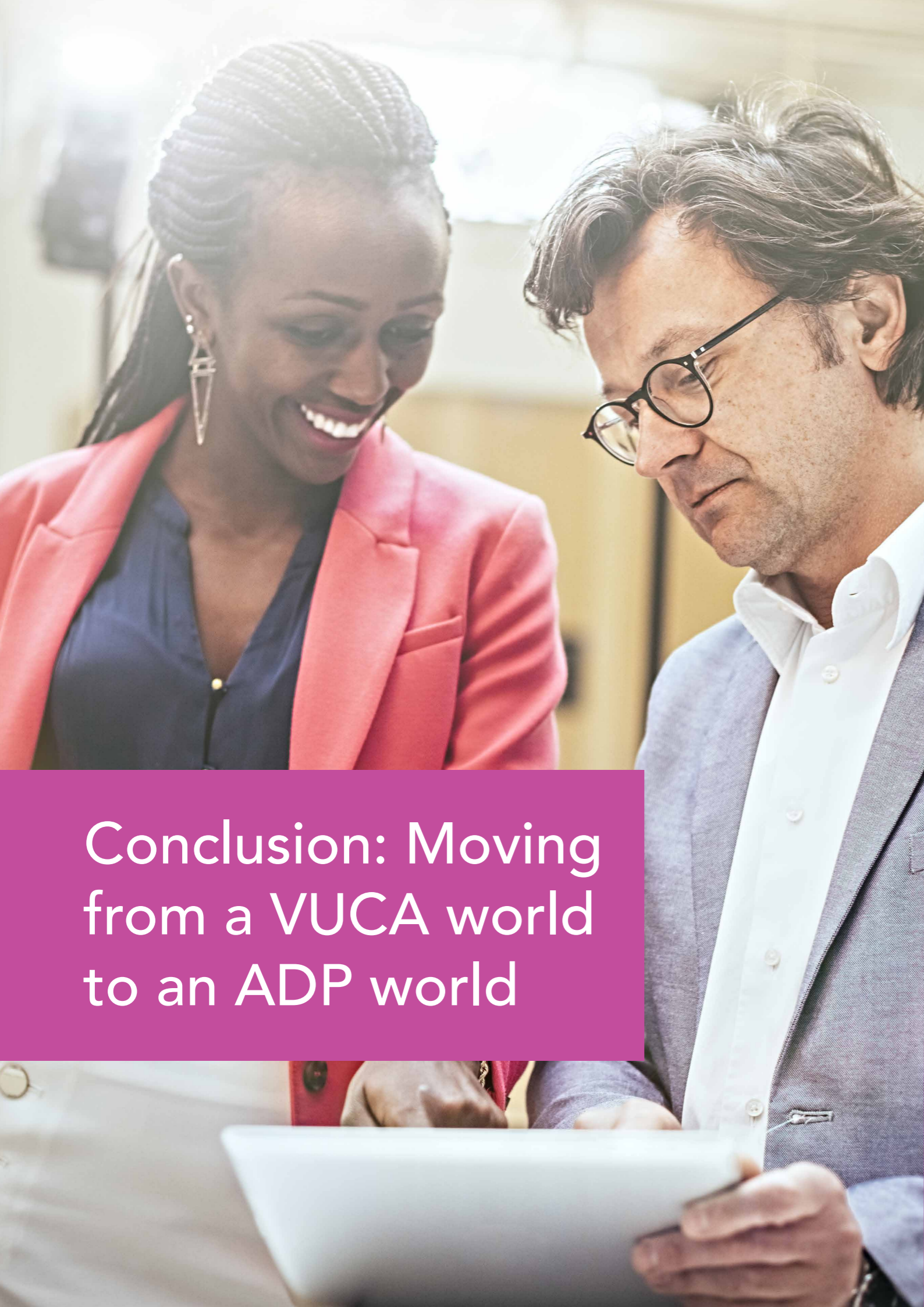
# Innovation is the key to survival

How can you possibly plan and innovate in a volatile and uncertain world if you haven't got control and access of your data? It's the difference between walking in the dark or turning the light on. The right data delivered to the right people at the right time can be the foundation for dramatic, sustained improvements.

Too many CIOs are burdened with administrative nightmares from a mix of manual processes and in-house software. The CIOs of progressive companies are now automating and integrating employee systems within a safe and centralised digital environment. Using the cloud to centralise benefits and drive employee engagement: it's now a business priority.

Too many CIOs are burdened with administrative nightmares from **a mix of manual processes and in-house software**

15. PwC (2016), Increase operational efficiency  
16. State of the CIO SURVEY (2015), CIO magazine



## Conclusion: Moving from a VUCA world to an ADP world

### Conclusion

Sometimes the ability to harness data is made to sound like the Sword in the Stone of Arthurian legend: that the first business to grasp it will become king of all they survey. In fact, it's much simpler than that. Business decisions made with the full access to real time data and analysis is achievable for all businesses, large and small. But unlike Arthur, they can't do it alone.

Managing in-house payroll and HR software systems is not what businesses are good at – they are good at building their products and selling their services. The true data journey is about relieving an organisation of pressure, getting the best from your people, innovating, and doing the things that your company does best.

To be able to survive and then succeed in a volatile world a business needs to be agile. To be agile, executives need data to make the right decisions. The data can no longer be based simply on past performance, but must be real time data with predictive analytics to cope with future challenges.

The true data journey is about relieving an organisation of pressure, getting the best from your people, **innovating, and doing the things that your company does best**





## Conclusion

# The journey to transformation is through: Data, Cost Saving, Compliance, Consolidation and Operational Efficiency



HR outsourcing offers the potential for increased flexibility for HR, offering more efficient and cost-effective processes. It gives you global governance, and a single way of addressing challenges, automation of manual processes, managing data, and delivering service in a consistent way around the globe.

Companies can free themselves from having to deal with a host of different systems, regulations, employee policies, labour conditions, currencies, languages, and directives. As they globally outsource payroll, companies [consolidate consistent processes for all the countries](#) in which they operate.

Centralisation is the key to streamlined service delivery and an HR operating model which world-class organisations are seeking to embrace. A network of local payroll specialists with deep knowledge of local legislation and HR details would lighten the load of shared services centres or subsidiaries. By finding new ways to help maintain compliance and mitigate risk, improve business process efficiencies and, ultimately, [help to drive growth and international expansion](#), HR can demonstrate the strategic value they provide to the company.

The least innovative or agile organisations will see this as a fearful prospect. They believe that VUCA could spell the end of their organisation – and they are probably right. But those that succeed will embrace the benefits of standardised, outsourced HR and payroll. It's not a sword in a stone. It's a click of a button and building a partnership with experts who can set it all up for you.

To find out how to turn a VUCA world into an ADP world and to **help you succeed, click on:** [\*\*www.adp.com/business\*\*](http://www.adp.com/business)





A more human resource.™

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