

HEALTH WEALTH CAREER

HOW HR NEEDS TO CHANGE



MAKE TOMORROW, TODAY



THE SECRETS TO HIGH PERFORMING HR

YOUR BRIEFING IN 3...2...1...



3 HIGHLIGHTS

- High performing HR organisations leverage a centralised structure that relies on COEs, HRBPs, and HR Shared Services
- While high performing organisations use far more technology than average or low performers, there is room for improvement
- Few in HR plan to change from the prevailing model of COEs, HRBPs, and HR Shared Services



2 TAKEAWAYS

- Build HR capability by better aligning the HR function with business strategy, shift transactions to HR Shared Services and strengthen the business advisory nature of HRBPs
- Invest in HCM technology to provide a digital consumer experience and analytics to drive decision making



1 ACTION

- Centralise your HR service delivery model and deploy COEs, HRBPs, and HR Shared Services

What do high performing HR organisations do differently? Our new study showed ways in which these groups operate that vary from HR organisations that are merely average. Centralisation matters: consistency in policies and practices is paramount. Reliance on Centers of Expertise, HR Shared Services and use of HR Business Partners as line of business advisors predominate. Use of technology prevails; reiterative transactional tasks are automated rather than using valuable people time. And these organisations are not static; they are agile in their ability to evolve and change as needed.

HOW IS HR STRUCTURED TODAY?

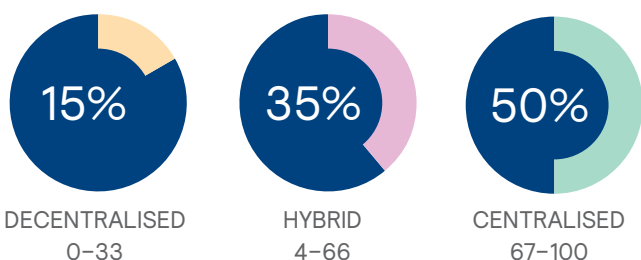
Centralised HR organisational structures help drive efficiency and consistency of processes across the organisation, and such centralisation is relied on in HR business models today. The majority of HR organisations are centralised (50%), with very few organisations (15%) reporting that they are decentralised. The remaining 35% are a hybrid with some decisions and policies deployed commonly across the organisation, and some locally.

- ▶ **DECENTRALISED:** Administration and decisions are made at the local level. Policies and practices vary significantly across the field locations. No centralised HR support or administration activities.
- ▶ **HYBRID:** Half centralised, half decentralised HR structure, decisions, policy deployment and administration.
- ▶ **CENTRALISED:** Administration and decisions are made in a centralised manner. Policies and practices do not vary across the field locations. Fully centralised HR support or administration activities.

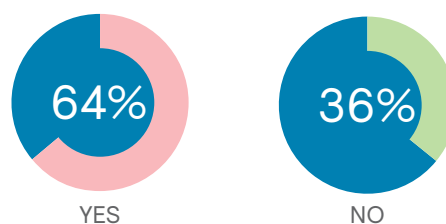
In addition, today's prevailing model for HR organisations relies on three primary components: Centers of Expertise (COEs), HR Business Partners (HRBPs), and HR Shared Services (HRSS) – utilised by almost two-thirds (64%) of HR organisations researched. Furthermore, 83% of large companies with 20,000 or more employees deploy a combination of these three elements.

HR TODAY: A CENTRALISED, 3-ELEMENT MODEL

Which of the following best describes how your HR function is currently organised? (Scale 0–100)



Does your organisation employ a HR service delivery model with any combination of HRBPs, COEs, and HRSS?



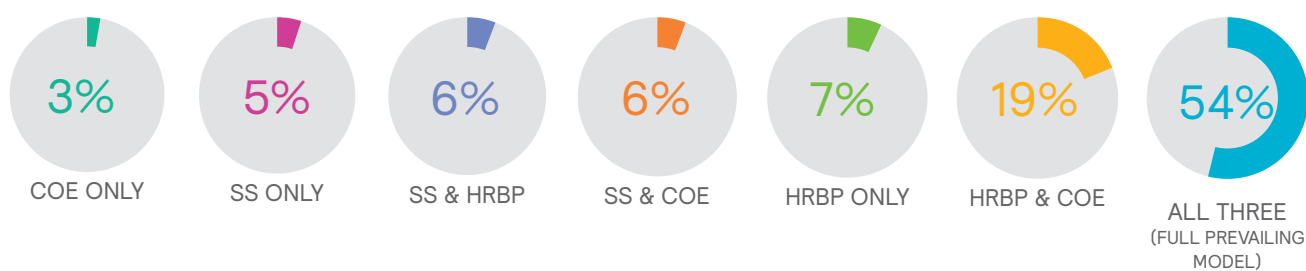
Source: Mercer, 2017

In practice, however, the extent to which these three elements – COEs, HRBPs, and HR Shared Services – are deployed differs:

54% leverage all three elements:

- ▶ 31% use two elements
- ▶ 15% use only one

HR TODAY: USE OF THE 3 ELEMENTS



Source: Mercer, 2017.

Significantly, 71% of high performing HR organisations deploy all three functions: COEs, HRBPs and HR Shared Services.

HR INVESTMENT PLANS

HR functions are almost two times more likely to increase spending than decrease it (in the year ahead) and over half (56%) of senior HR executives are planning to maintain spending, which is good news for those HR organisations which have been trying to “do more with less” for the past few years. For the 12% of HR teams who are actively recruiting, they are recruiting COEs (65%) and HRBPs (49%). This is also true for those planning to recruit in the next 18 months. The biggest area where organisations are looking to decrease is HR Administration (HR service center or HRSS) (76%).

WHAT DO HIGH PERFORMING HR ORGANISATIONS DO DIFFERENTLY THAN LOW PERFORMING HR?

High performing HR organisations do three things differently than their lower-performing peers:

- ▶ Continuously evolve their structural model,
- ▶ Build new networks, alignment and capabilities among the HR team and
- ▶ Invest in the right mix of technology to leverage data for decision-making and to drive consumer-quality experiences for their customers.

EVOLVE THE MODEL

High performing HR organisations leverage a framework in which HR administration and decisions are centrally made and policies and practices do not vary widely across locations; HR support and administrative activities are also centralised. In addition, the highest performing HR organisations deploy all three elements: Centers of Expertise (COEs), HR Business Partners (HRBPs), and HR Shared Services (HRSS). Furthermore, these organisations have generally deployed this model in the last 3–10 years and are building their maturity by refining HR roles, technology, and their use of analytics to drive decision making.

Key Traits of High Performing HR: Evolving Structure

- ▶ Those that use any combination of this prevailing model are higher performing than those that do not, but those that use all three elements perform at an even higher level.
- ▶ More than two-thirds (68%) of high performing HR functions have redesigned their HR structure within the last 5 years.
- ▶ 87% of high performing HR functions are more likely in “growth, established, or expansion” stages of the prevailing model.
- ▶ In high performing HR functions, the vast majority of HRBPs (over 90%) report directly to HR.

BUILD CAPABILITY

High performing HR organisations build capability among their HR staff and partners by aligning COE and HR practices with the overall business strategy, and shifting transactions to shared services. They excel at providing extensive career path and targeted learning and development opportunities for their entire HR team. High performing HR organisations realize dramatic results in building alignment to key business performance initiatives and better prepare HR professionals for value-added roles when compared to low performing HR.

Key Traits of High Performing HR: Capability Building for the Future

- ▶ **69%** of CHRO/executive HR leaders meet with the CEO or COO to discuss business and HR strategy at least 2 times per month.
- ▶ **1.8X** more line of business (LoB) leaders place a “crucial” priority on aligning HR/talent strategy with business strategy.
- ▶ **2X** more frequent mobility and promotion within and across their shared services, COEs, and HR business partners.
- ▶ **2.4X** more alleviation of HRBP involvement in “day to day” (employee and management) inquiries and transactional services.
- ▶ **3X** more likely to provide sessions for senior executives and managers on how to effectively partner with HRBPs.
- ▶ **3X** more senior HRBPs held accountable for delivering value to the lines of business.
- ▶ **6.8X** more likely to provide advanced consultative training for senior HRBPs.

INVEST IN TECHNOLOGY

High performing HR organisations invest in an optimal mix of HCM technologies to procure key metrics to drive strategic decision support and expressly deliver a consumer-level HR experience for both managers and employees. High performing HR realizes significant results in the area of analytics and technology as compared to low performing HR.

Key Traits of High Performing HR: Insights Driven via Technology

- ▶ **1.8X** more HRSS operational reports provided to HRBPs and COEs.
- ▶ **2.6X** more organisations with employee self-service in place.
- ▶ **3.7X** more real-time data retrieval and reporting technology from Shared Services support data-driven business decision-making.
- ▶ **5X** more likely to provide analytics training for HR Shared Services.
- ▶ **5.4X** more HR Shared Services partnerships with COEs deliver detailed analytics and dashboards.

However, while high performing organisations have far more technology utilisation than average or low performers, it is still limited. Sixty-nine percent of high performing HR organisations have employee self-service in place, 36% have manager self-service, and only 27% have mobile talent applications. This indicates a significant opportunity for HR to grow its digital presence.

THE TOP TRAITS OF HIGH PERFORMANCE HR ORGANISATIONS:

Research demonstrates the three key steps and nine best practices that HR needs to create a high performing human resources organisation.

EVOLVE THE MODEL	BUILD CAPABILITY	INVEST IN TECHNOLOGY
<ul style="list-style-type: none"> Use a centralised structure Deploy the prevailing model with all three elements (COE, HRBPs, HRSS) Build model maturity 	<ul style="list-style-type: none"> Align COE and HR practices with business strategy Shift transactions to HR Shared Services Evolve the role of the HRBP 	<ul style="list-style-type: none"> Invest in the right mix of HCM technology Invest in analytics to drive decision making Provide a digital employee and manager experience

CONCLUSION

High performing HR organisations deliver more value to their businesses by delivering exceptional customer value (94%), reacting proactively to disruptive change (83%), and driving innovation (89%), and they are viewed as great places to work (86%) that attract the talent that these businesses need to excel (91%). However, all HR organisations (low, average, or high performing) can further evolve their service delivery models and leverage more technology, capability, and relationships to drive even more strategic value.

METHODOLOGY

At the end of 2016 Mercer and the HR Transformation team deployed a global survey to determine what HR service delivery models are being used today and which practices and structures drive the most value. The responses of three hundred CHROs and senior HR leaders across 43 countries and in 26 industries are included in the resulting reports. Data was analysed and responding HR organisations were categorised as high performing (top 50 HR organisations), average performing, and low performing (bottom 50 organisations) based on self-report rankings of 21 HR performance indicators.

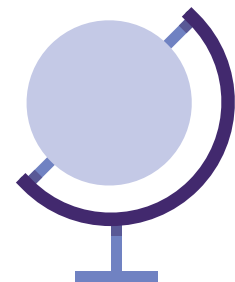
HOW HR NEEDS TO CHANGE RESEARCH DEMOGRAPHICS



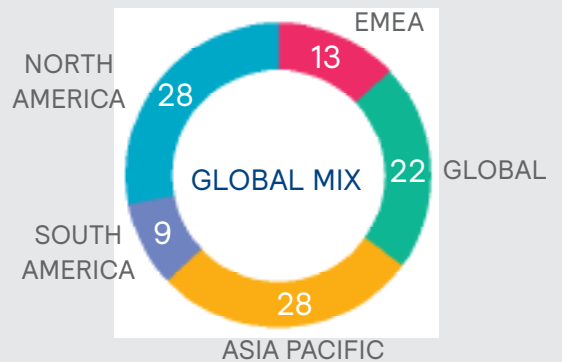
300 COMPANIES ACROSS
26 INDUSTRIES



76% CHROs OR SENIOR
EXECUTIVE HR LEADERS



43 COUNTRIES



PERFORMANCE CATEGORIES

HIGH PERFORMING HR = TOP 50 HR FUNCTIONS

LOW PERFORMING HR = BOTTOM 50 HR FUNCTIONS

This executive brief summarizes the high-level findings of Mercer's 2017 HR Transformation study. A series of eight separate detailed data reports, webinars, assessment tools, infographics and more will be available via our Mercer Select Intelligence platform.

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Talent Strategy: Forecast your talent needs and develop the strategies and infrastructure to ensure the right flow of talent to meet current and future business objectives.

Talent Mobility: Optimise your talent investments by developing and executing on mobility strategies and maximizing the value of international assignments.

Workforce Rewards: Attract, retain, engage, and motivate your workforce through programmes that reward the right behaviors and outcomes using globally consistent methodologies, insights and data.

Executive Rewards: Align executive rewards with your business objectives to attract, retain and motivate the best leadership talent to enhance business performance while meeting governance requirements.

HR Transformation: Enhance the efficiency and effectiveness of your HR function and better align HR's focus with business needs to add long-term value.

Workday Support: Achieve the quickest time to value for your Workday implementation by going beyond a technical deployment with HR domain expertise and proprietary methodologies.

Communication: Use proven methodologies and digital solutions to create and deliver results-driven communications to support major HR initiatives and M&A related change.

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