

HOW HR NEEDS TO CHANGE 2017

THE SECRETS TO HIGH PERFORMING HUMAN RESOURCES



OUR SPEAKERS



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SESSION AGENDA

01

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Executives have big plans to re-design their organizations – Is HR ready?

02

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About the How HR Needs to Change research

03

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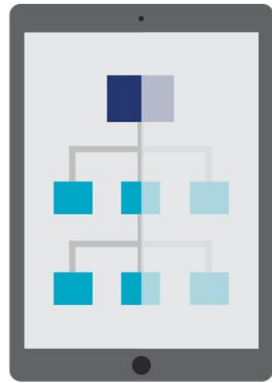
The Results: Evolve the Model, Build Capability and Invest in Technology

04

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Conclusions and Questions

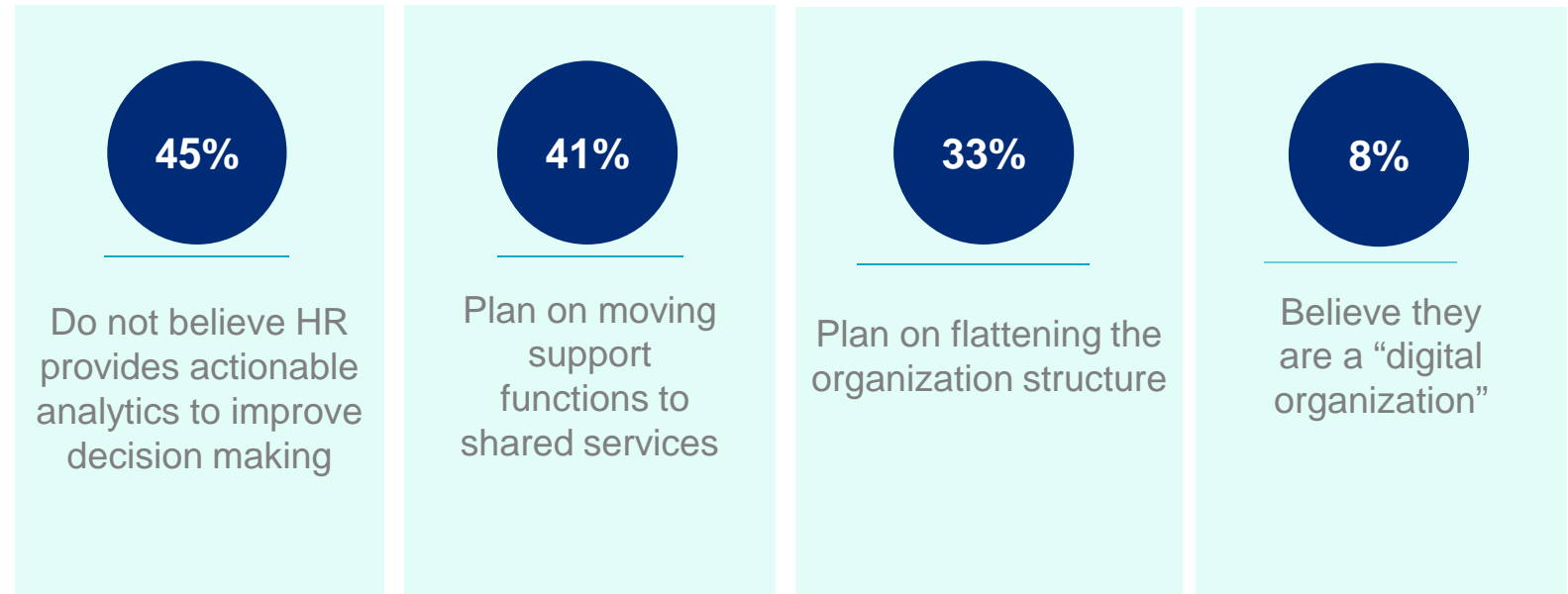
GLOBAL TALENT TRENDS C-SUITE MANDATE: MORE CHANGE, MORE SUPPORT NEEDED FROM HR



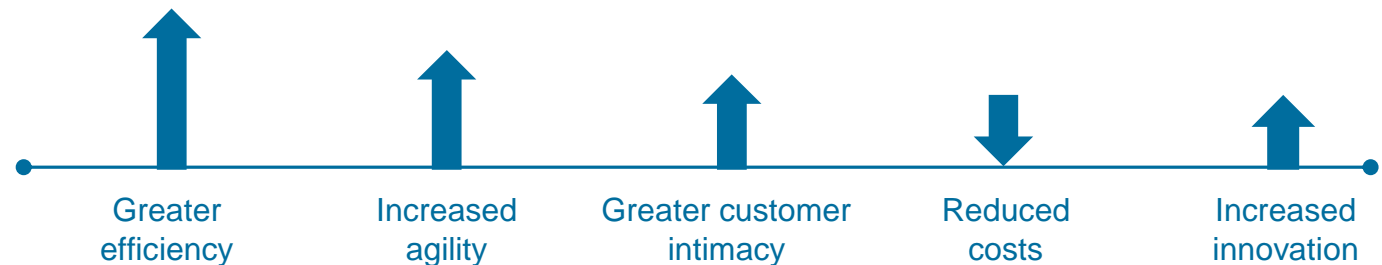
93%

of executives are planning an organization redesign in the next 2 years

WHAT THE C-SUITE THINKS:



WHAT IS DRIVING THESE CHANGES?



GLOBAL TALENT TRENDS C-SUITE MANDATE: MORE CHANGE, MORE SUPPORT NEEDED FROM HR

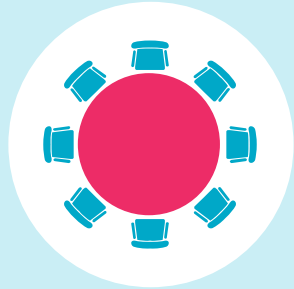
43% of executives agree that HR is regarded as true strategic partners by the business

What does HR need to do to continue improving their perception and deliver against the mandate?

What HR service delivery models and practices drive the most value?



ABOUT MERCER'S 2017 HOW HR NEEDS TO CHANGE RESEARCH



300 companies across
26 industries



76% CHROs or
senior executive
HR leaders

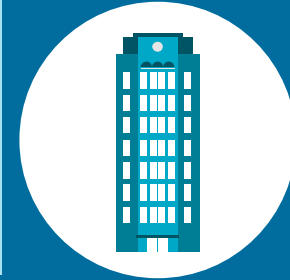


43 countries

Performance
Categories

High Performing HR = Top 50 HR functions
Low Performing HR = Bottom 50 HR functions
Based on the total score of 21 HR outcome measures

North
America:
60% over
1,000
employees



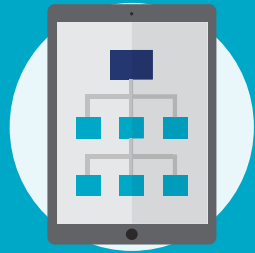
North
America:
76% for-
profit
companies

North America

36%

of total sample

THREE KEY THEMES FOR HOW HR NEEDS TO CHANGE: CREATING HIGH PERFORMING HUMAN RESOURCES



**EVOLVE
THE MODEL**

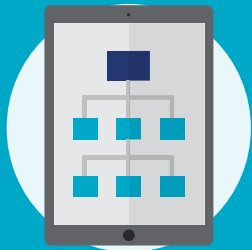


**BUILD
CAPABILITY**



**INVEST IN
TECHNOLOGY**

EVOLVE THE HR OPERATING MODEL



**EVOLVE
THE MODEL**



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THE PREVAILING HR OPERATING MODEL

HR LEADERSHIP TEAM

Providing HR strategy and execution to the business and ensuring the success of the HR operating model

HR BUSINESS PARTNERS (HRBP)

Acting as a strategic partner and liaison between the business and centers of expertise.

FOCUS:
Strategic Alignment

HR SHARED SERVICES (HRSS)

Delivering customer service and administration of HR programs with a focus on efficiency, data and technology.

FOCUS:
Operational Excellence

HR CENTERS OF EXPERTISE (COE)

Designing appropriate HR strategies, programs, policies and processes.

FOCUS:
Program Design

TECHNOLOGY ENABLED

HR Portal

Telephony

Case Management

Knowledge Management

HCM

EVOLVE THE HR OPERATING MODEL



The prevailing model is still the dominant model, with limited plans from HR to change

DEPLOY THE
PREVAILING MODEL

USE A CENTRALIZED
STRUCTURE



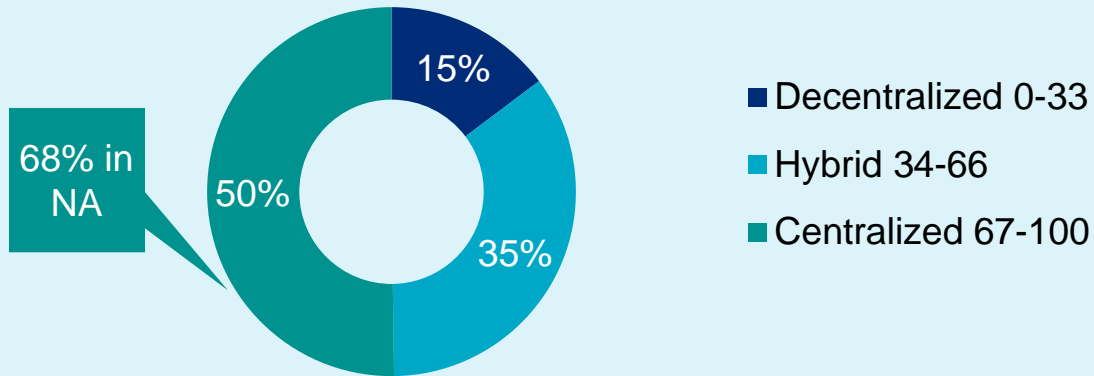
ARE BUILDING
MATURITY



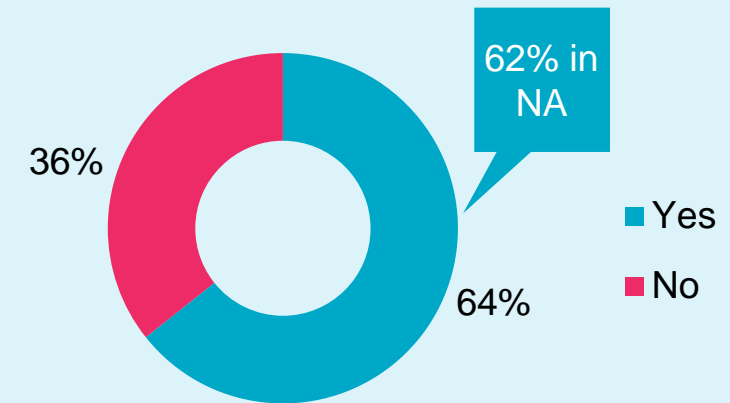
HIGH PERFORMING HR
FUNCTIONS

MOST COMMON HR STRUCTURES: A CENTRALIZED FRAMEWORK AND THE PREVAILING MODEL

Which of the following best describes how your HR function is currently organized?



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



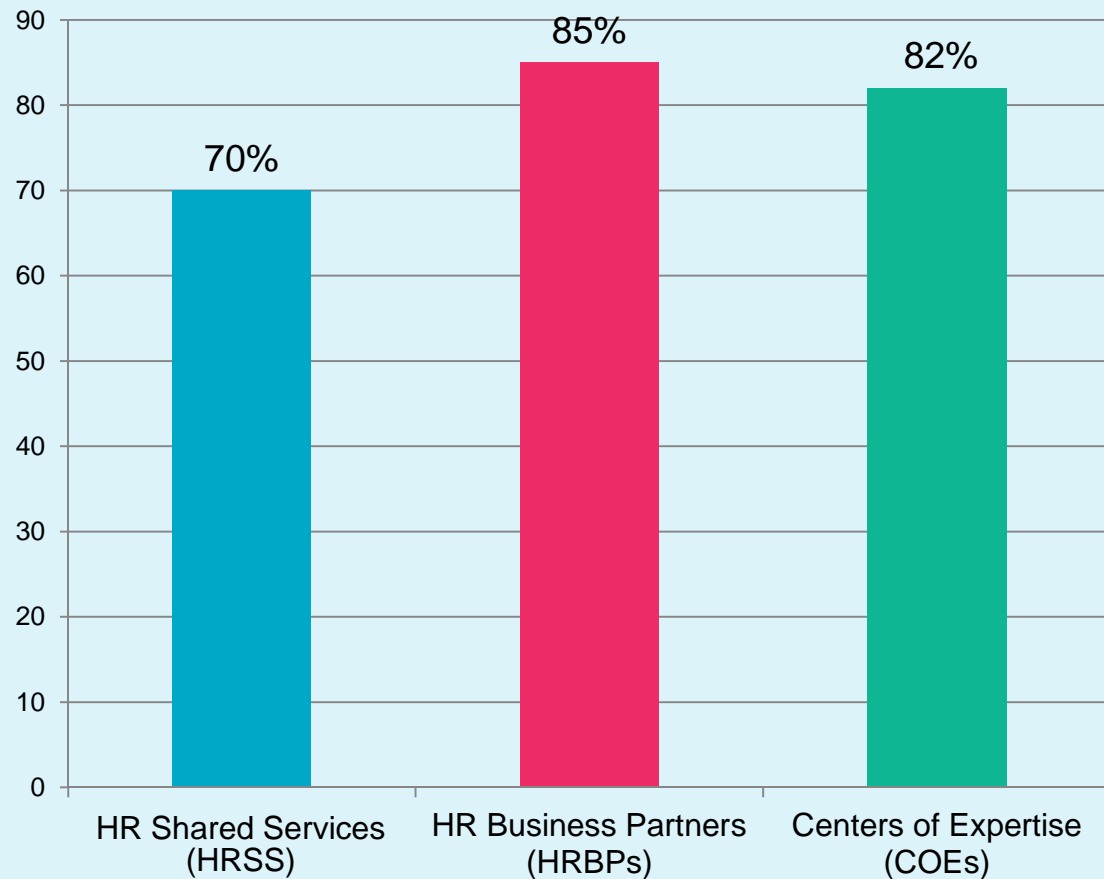
DECENTRALIZED: Administration and decisions are made at the local level. Policies and practices vary significantly across the field locations. No centralized HR support or administration activities.

HYBRID: Half centralized, half decentralized HR structure, decisions, policy deployment and administration.

CENTRALIZED: Administration and decisions are made in a centralized manner. Policies and practices do not vary across the field locations. Fully centralized HR support or administration activities.

THOSE WITH THE PREVAILING MODEL: USE OF HRBPS, COES AND HRSS

All Respondents with the Prevailing Model:



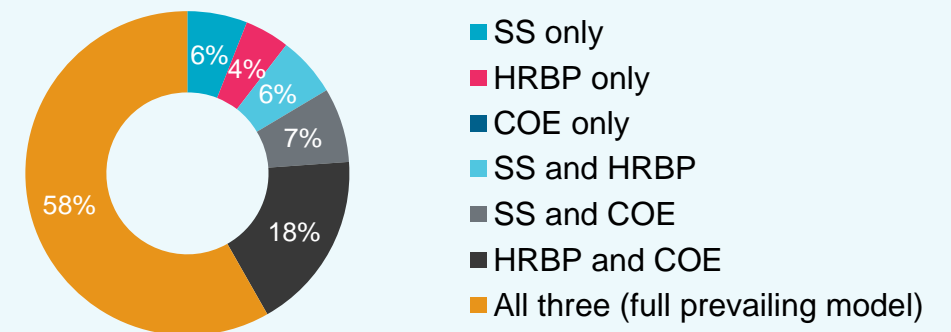
North America: Unexpected Finding

42% of those with the prevailing model deploy only one or two components:

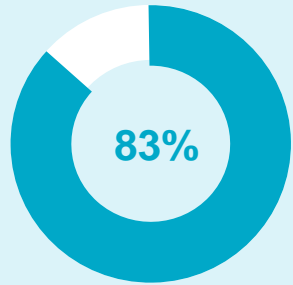
- 11% use only one
- 31% use two

Significant Finding: Those that use any combination of the prevailing model are higher performing than those that do not, but those that use all three components perform at an even higher level.

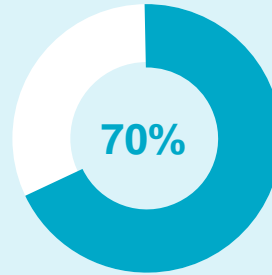
North America



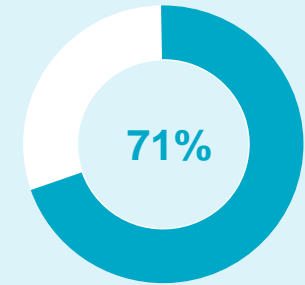
A CENTRALIZED PREVAILING MODEL IS MOST EFFECTIVE



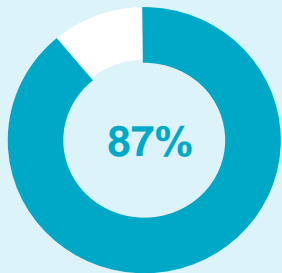
Large companies (20K+ EEs) have the prevailing model



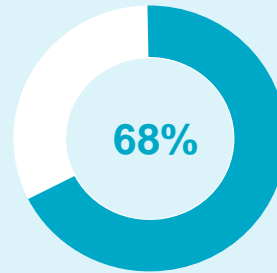
High performing HR functions have a centralized, prevailing model



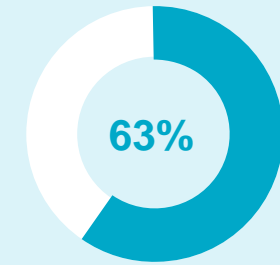
High performing HR functions have all 3 components of the prevailing model



High performing HR functions are more likely in "growth, established or expansion" stages of the prevailing model



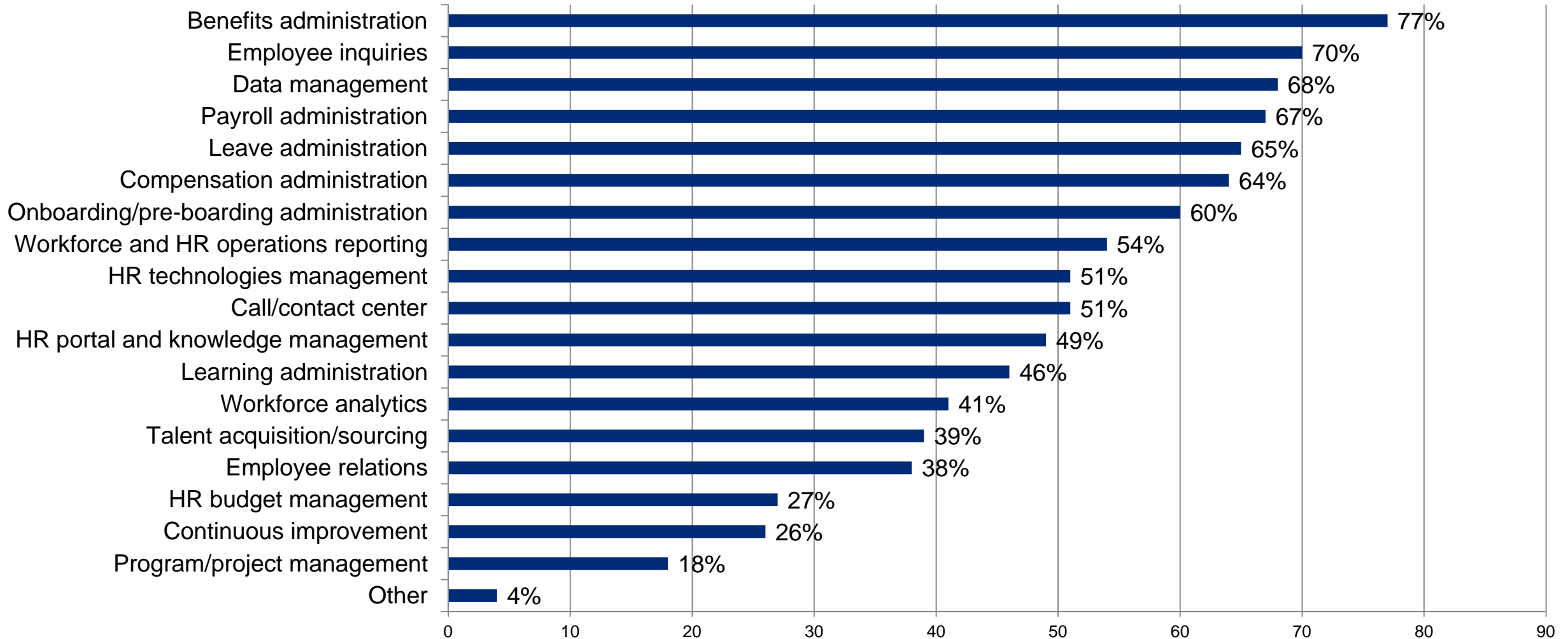
High performing HR functions have redesigned their HR structure within the last 5 years



Low performing HR functions are thinking about changing their model

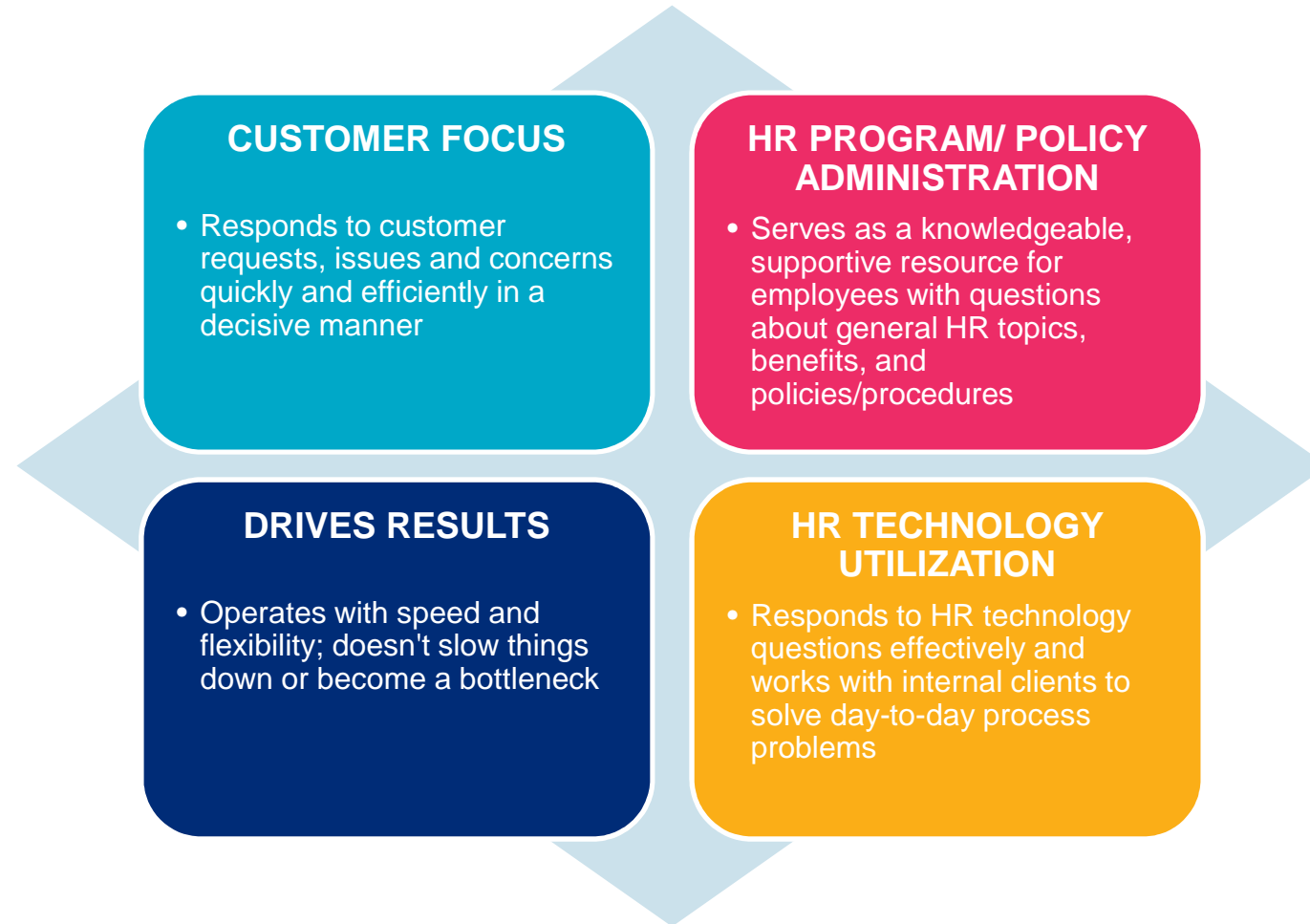
TODAY'S HR SHARED SERVICES HAVE A BROAD SCOPE

Functions Included in Internal HR Shared Services Operation



HRSS HAS EVOLVED COMPETENCIES – IT’S NOT AN “HR HELP DESK”

HR SHARED SERVICE COMPETENCIES



MANY HR FUNCTIONS ALSO LEVERAGE THIRD PARTIES AS PART OF THEIR SERVICE DELIVERY MODEL

An HR sourcing strategy determines if a HR process, technology or activity is owned internally within an organization, externally by a third party, or a combination of the two.

IF CONTRIBUTED BY POLICE

1. NO CONSENT TO SEARCHES

2. ASK IF FREE TO LEAVE

3. IF NOT, ASK TO SPEAK WITH ATTORNEY

Insourcing

Work is performed by internal staff, technology and resources

Co-sourcing

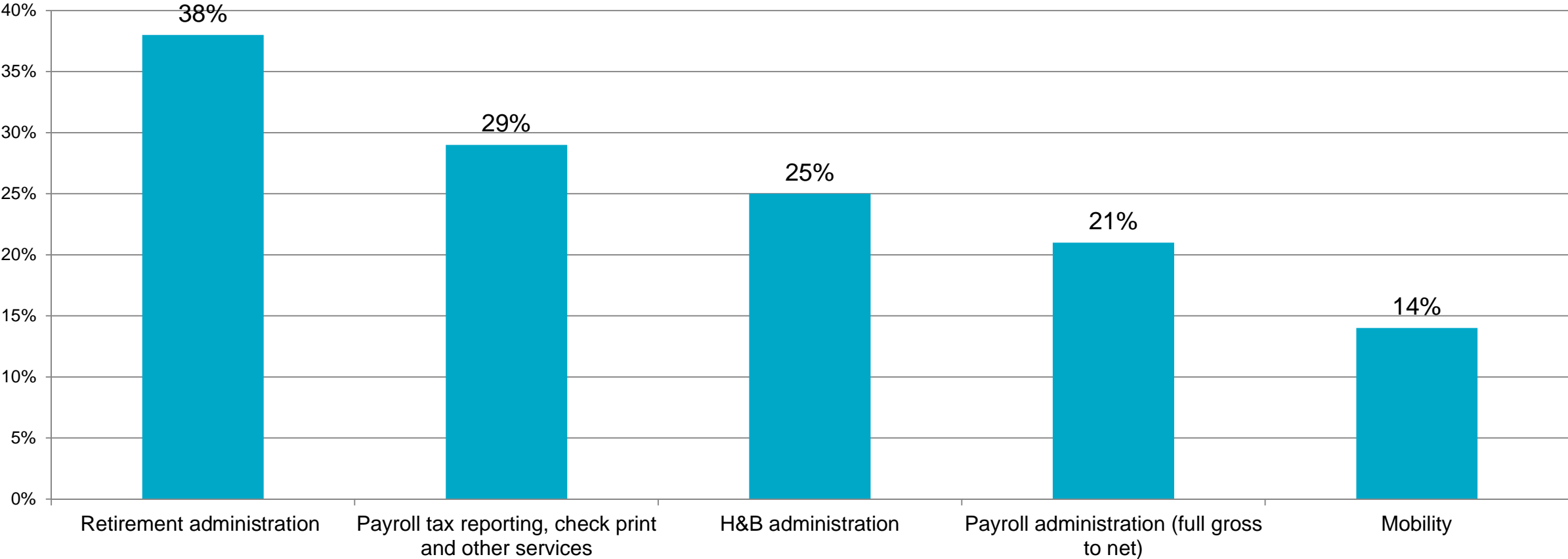
Co-sourcing is partial outsourcing where work is performed by a combination of internal staff and external resources/technology

Outsourcing

HR outsourcing means that people, processes and technology related to an HR functional area are shifted to an external service provider

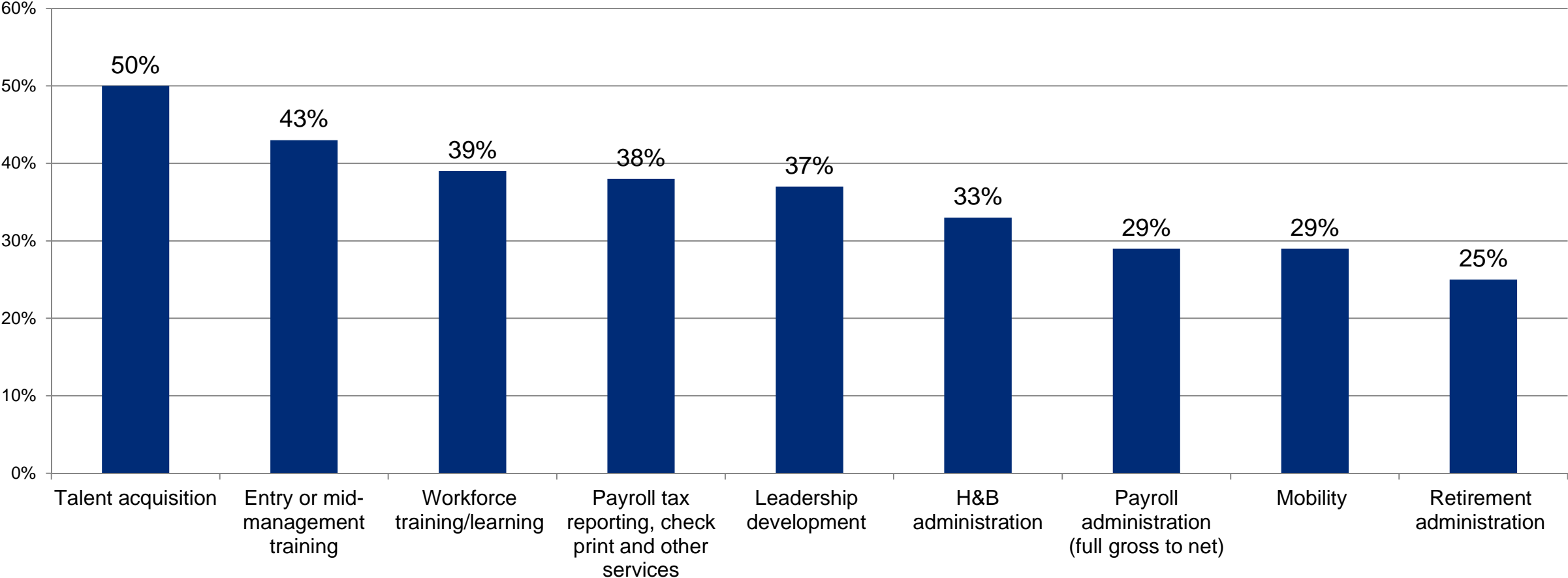
HR OUTSOURCING IS USED BY LARGE EMPLOYERS, BUT IN SELECT AREAS

Outsourcing in Large Companies (20K+ Employees)



HR CO-SOURCING IS MORE WIDELY USED BY LARGE EMPLOYERS

Co-sourcing in Large Companies (20K+ Employees)



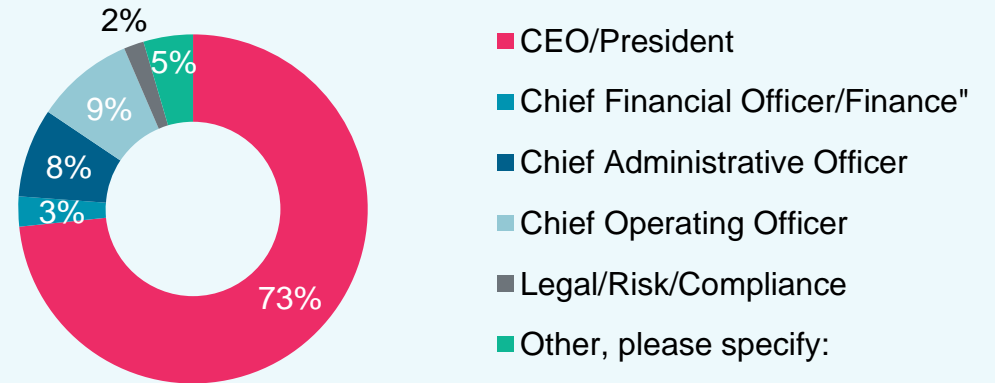
HR REPORTS TO THE CEO, PAYROLL REPORTS TO HR



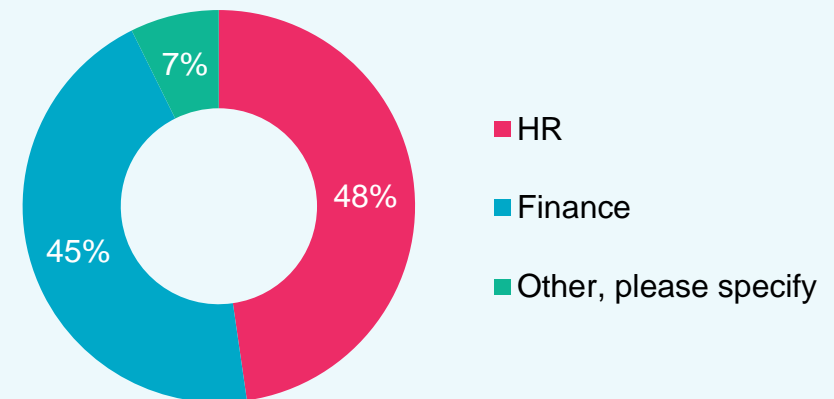
In 73% of North American organizations the HR leader (CHRO) reports to the CEO or President

In 48% of North American organizations payroll reports into HR

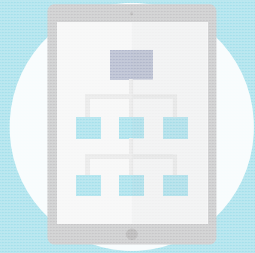
North America: To whom does the leader of the HR function report?



North America: Which department does payroll report into?



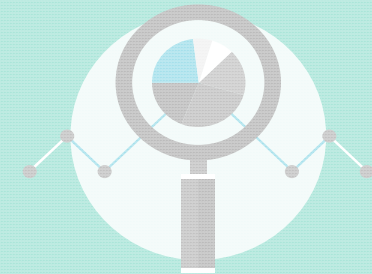
BUILD HR CAPABILITY



**EVOLVE
THE MODEL**



**BUILD
CAPABILITY**



**INVEST IN
TECHNOLOGY**

BUILD HR CAPABILITY



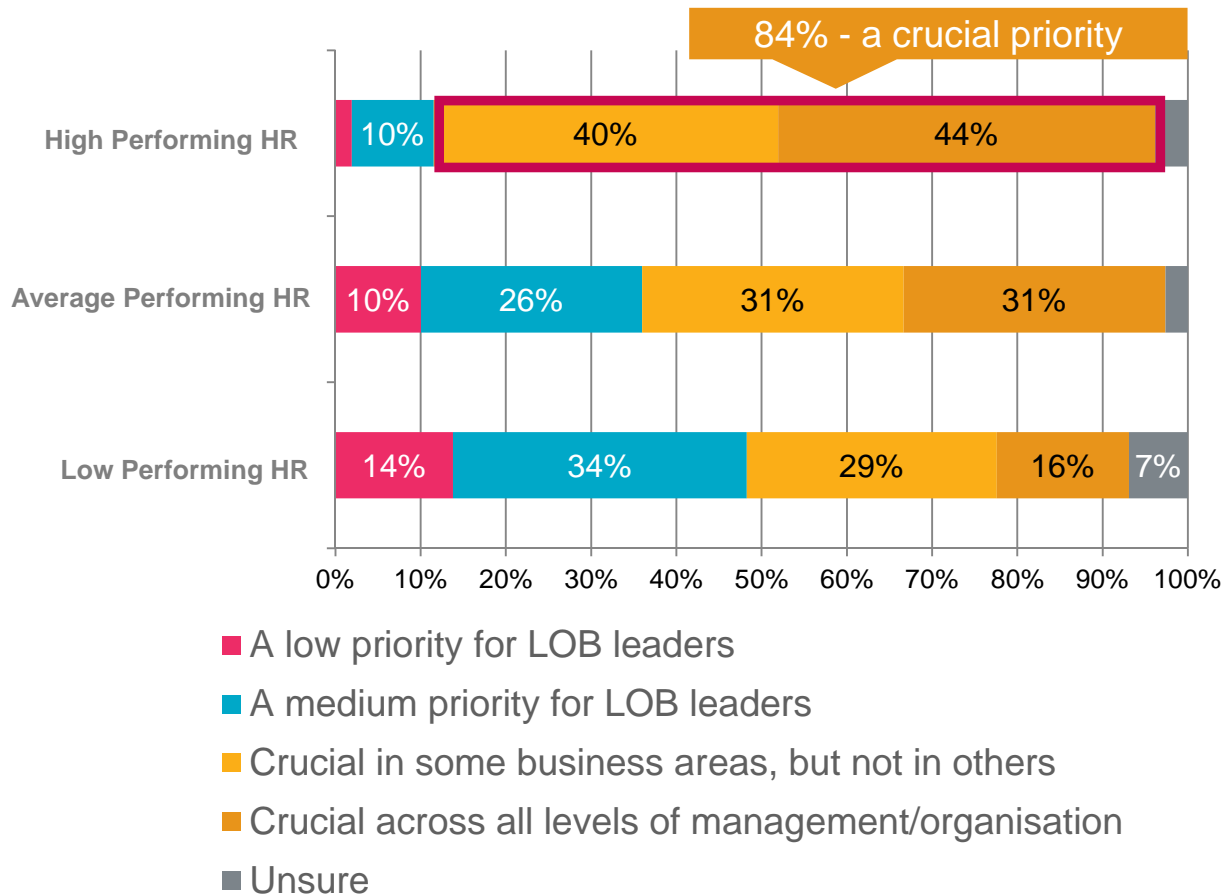
42% of CEOs recognize HR for capability and competence



HIGH PERFORMING HR IS ALIGNED WITH BUSINESS STRATEGY

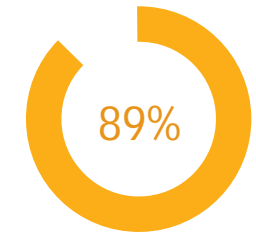
In high performing HR organizations:

Line of Business (LOB) leaders place a priority on aligning HR/talent strategy with business strategy



CHRO/executive HR leaders meet with the CEO or COO to discuss business and HR strategy at least

2X per month

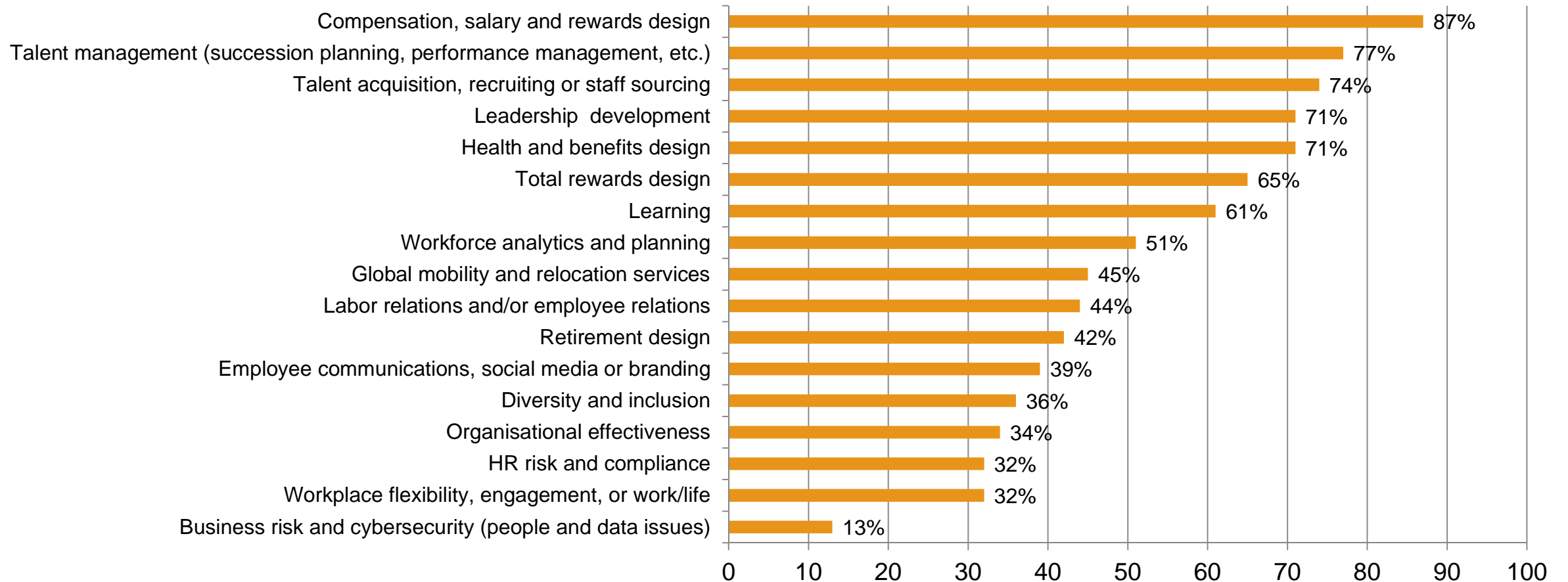


COEs design HR programs that are aligned with business and people strategies

47% of low performing HR considers this task a current frustration point in implementing the model

TODAY'S COES HAVE A BROAD SCOPE

Functions Included in Today's COEs



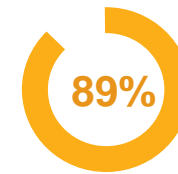
HIGH PERFORMING HR FUNCTIONS LEVERAGE HR SHARED SERVICE CENTERS MORE EFFECTIVELY

High performing HR organizations have:

- Better customer service
- Higher quality transaction processing
- More effective balancing of standard versus individualized services
- More HR professionals recognized for capability and competence
- More focus on expanding service center capabilities and improving service delivery



In high performing HR organizations:



Alleviate HRBP involvement in “day to day” (EE and mgmt.) inquiries and transactional services

2X more than low performing HR



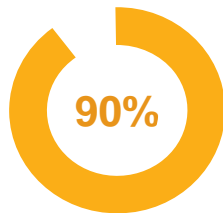
Provide operations reports to HRBPs and COEs (types of inquiries and transactions) to track overall employee pulse

2X more than low performing HR

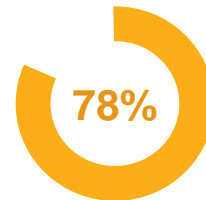
HIGH PERFORMING HR ORGANIZATIONS STRATEGICALLY LEVERAGE HRBPS

High performing HR organizations have higher performing HRBPs

- Are regarded as true strategic partners by business leaders
- Spend a majority of time (60% or more) on business advisory, rather than transactional tasks
- High performing HR also agrees or strongly agrees that:



Senior HRBPs are held accountable to delivering value to the lines of business



Senior HRBPs build time into their schedules to stay informed of new business trends, practices and developments



HR hires senior HRBPs from external sources with analytics or management consulting backgrounds

ORGANIZATIONS NEEDS TO EVOLVE HRBP COMPETENCIES – IT’S NOT AN “HR GENERALIST WITH A NEW TITLE”



Unfortunately, **44%** (in the prevailing model) report changing the generalist title to HRBP without changing the role itself

These results were consistent across all levels of HR performance

HRBP COMPETENCIES



79% OF HIGH PERFORMING HR INVESTS IN TRAINING OF HR STAFF



High Performing HR functions:

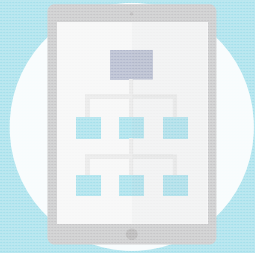
Invest in HR development:

- **3X** more likely to provide sessions for senior execs/managers on how to effectively partner with HRBPs
- **3X** more likely to provide advanced consultative training for senior HRBPs
 - increases to **7X** for those with the full prevailing model
- **5X** more likely to provide analytics training for HR Shared Services

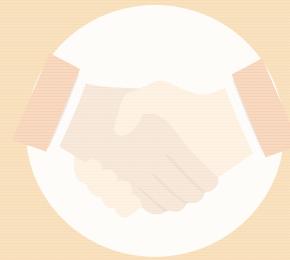
Provide career opportunities:

- **2X** more frequent mobility and promotion within and across HRSS, COE and HRBP functions
- **77%** of low performing HR functions do not groom or rotate operational leaders from the business into senior HRBP roles

TECHNOLOGY IS CRITICAL TO HIGH PERFORMANCE



**EVOLVE
THE MODEL**



**BUILD
CAPABILITY**



**INVEST IN
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INVEST IN TECHNOLOGY



Only **35%** of CEOs think HR provides a digital experience for employees



HR TECHNOLOGY IS NOT READY FOR PRIME TIME

Over **60%** of HR executives don't believe that their HR function has the right mix of HR tech applications to effectively execute against business goals

57% plan to address HCM/HRIS deficiencies

58% plan to improve the delivery of transactional services in the next 18 months

In North America:

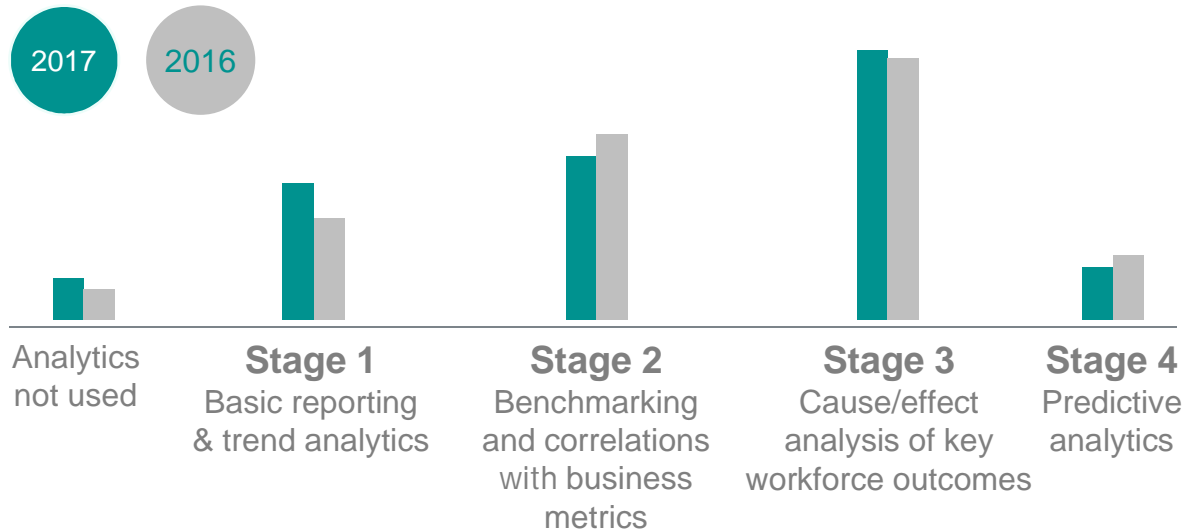
- **3X** more likely to increase HR spending than decrease
 - Over half (**59%**) are planning to maintain spending
-



ANALYTICS MUST DRIVE DECISION MAKING

USE OF ANALYTICS IN HR

Talent Trends: Same results as 2016
More opportunity for progress



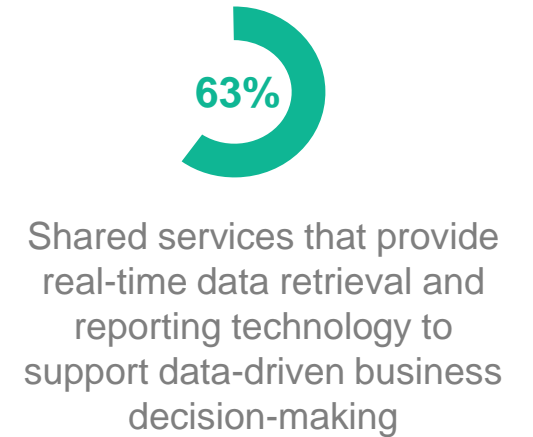
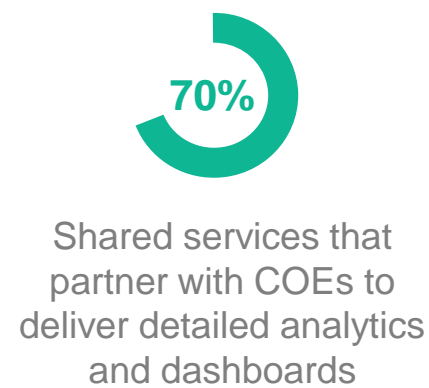
One-half (51%) of prevailing HR functions have a COE dedicated to analytics

45% of C-Suite executives do not believe HR provides actionable analytics to improve decision making

HR executives agree:

- **73%** plan to improve analytical capabilities

High performing HR organizations have:

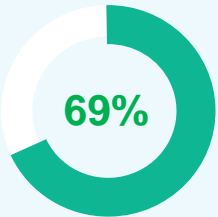


HIGH PERFORMING HR DELIVERS MORE DIGITAL TECHNOLOGY

Overall, **ONLY 8%** of:

- C-Suite executives feel they are a digital organization
- HR reports that nearly everything employees need to grow their career is available digitally

High performing HR organizations have more technology utilization



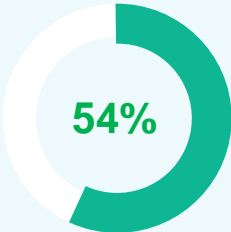
High performing HR has employee self service in place

Low performing HR: Only 27% have employee self-service



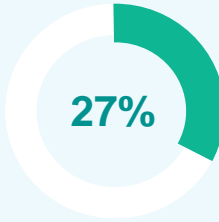
High performing HR has manager self-service in place

Low performing HR: Only 23% in place and utilized



High performing HR provides simple user-friendly interfaces

Low performing HR: Only 4% in place and utilized



High performing HR currently implementing talent apps on mobile devices

Low performing HR: 11% planning, and 42% with no plans

HOW IS HR MAKING BETTER USE OF TECHNOLOGY?



ADMINISTERING HR PROCESSES

- Core HCM
- HR administration
 - Payroll administration
 - Benefits administration
- Workforce management
 - Time and attendance
 - Absence management
 - Budgeting
 - Scheduling



MANAGING HUMAN CAPITAL

- Workforce planning
- Talent acquisition
- Performance management
- Career planning and development
- Learning management
- Succession planning
- Compensation management



DELIVERING HR SERVICES

- HR portal
- Self-service and workflow
- Service center technologies
 - Call management
 - Case management
 - Knowledge management
 - Document management



SUPPORTING MEASUREMENT AND DECISION-MAKING

- Worker data warehouse
- Reporting
- Predictive analytics
- HR scorecard

← INTEGRATING MECHANISMS: PEOPLE, PROCESS AND GOVERNANCE →

THE NINE SECRETS TO HIGH PERFORMING HR

EVOLVE THE MODEL

- Use a centralized structure
- Deploy the prevailing model with all three components (COE, HRBPs and HRSS)
- Build model maturity

BUILD CAPABILITY

- Align COE and HR practices with business strategy
- Shift transactions to HR Shared Services
- Evolve the role of the HRBP

INVEST IN TECHNOLOGY

- Invest in the right mix of HCM technology
- Invest in analytics to drive decision making
- Provide a digital employee and manager experience

WHERE TO START? YOUR COMPANY'S BUSINESS STRATEGY

BUSINESS STRATEGY

What are the strategic business imperatives that will drive organizational success?

PEOPLE STRATEGY

How will the organization manage and motivate a workforce that can execute the business strategy?

HR FUNCTION

- How will the HR function prioritize requirements, allocate and align limited resources to deliver HR services that contribute to the business strategy and people strategy?
- What are the most effective delivery channels for HR services and the related service-level expectations?

HR Operations

Business Partnering

Talent Management

Total Rewards

HR OPERATING MODEL

SERVICE DELIVERY

What activities will the HR function do themselves? What can be outsourced?

INFRASTRUCTURE

What internal capabilities are needed to fulfill the HR function strategy?

STRUCTURE

HR TALENT

PROCESS

TECHNOLOGY

GOVERNANCE MODEL

How will the function be led and how will related investments be managed?
How will success be measured?

PERFORMANCE MONITORING: METRICS & BENCHMARKING

HIGH PERFORMANCE HR – 21 OUTCOME MEASURES

- **Resourced/sized (people)** to meet challenges ahead
- **Organized** to meet challenges ahead
- **Financed** to meet challenges ahead
- **Flexible with the right mix of internal and external staff** to execute business objectives
- **Sourced with the right mix of HRIS, HCM and TM** tech to execute against business goals
- **Executive satisfaction with the caliber of HR**
- **HR leadership satisfaction with HR staff performance**
- **Effective governance** framework to address business demand
- **Balance** in providing cost effective /standardized versus individualized/personalized services
- Clear lines of **communication/partnership between:**
 - **local line of business leaders**
 - **CEO and/or COO**
- Viewed as a “**great place to work**” in terms of professional development and/or growth potential
- **Adaptiveness**
- **Meets performance objectives**
- **Delivers value to the business**
- **Attracts talent HR needs to excel**
- **Reacts proactively to disruptive change**
- **Supports business innovation**
- **Acts as a change agent**
- **Considered a leader** in the HR field or among peer organizations
- **Viewed as state of the art, innovative and/or agile by non-HR executives**

QUESTIONS?



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QUESTIONS

Please type your questions in the Q&A section of the toolbar and we will do our best to answer as many questions as we have time for.

To submit a question while in full screen mode, use the Q&A button, on the floating panel, on the top of your screen.



CLICK HERE TO ASK A QUESTION TO "ALL PANELISTS"

FEEDBACK

Please take the time to fill out the feedback form at the end of this webcast so we can continue to improve. The feedback form will pop-up in a new window when the session ends.

MAKE



TOMORROW,
TODAY