Introduction

For decades, HR has been viewed as an administrative support function that processes payroll, administers benefits and processes paperwork. However, as our economy shifts and organizations realize the competitive advantage that can be attained through their people, organizational leaders are no longer looking to human resources professionals for simply administrative support. Organizational leaders are looking to their human resources departments for input on strategies to support business growth through workforce planning, developing the next generation leaders, attracting the best and brightest talent. HR is now expected to develop and drive people strategies while still paying employees and offering competitive benefits and compensation packages!

So how do HR organizations balance the requirements of traditional HR services (e.g., payroll and benefits), the complexity of a comprehensive talent management strategy, and staying within budget and their allocated resources?

Leading edge organizations are accomplishing this by rethinking their HR function and HR services. They are taking introspective looks into their staffing, business needs, how they are spending their time, service delivery methods, and how they can do it better and faster. They are developing strategic plans to reinvent how they partner with organizational leaders.

This survey conducted by Findley Davies in May – June 2015 revealed that our respondents are looking to shift their focus from transactional and administrative work to the strategic and broader talent management activities.

This survey was completed by 61 organizations* from various industries. The responses came from a wide variety of industries with the highest concentration from those in healthcare and organizations with employee populations under 5,000 employees.

*Not all organizations completed every question in the survey. These notes are indicated in the full survey results (available upon request).
The respondents estimated that they currently spend 46% of time on transactions and administration and they would like to reduce this to 28%. The goal is to spend more time on HR Strategy and HR Talent Management.

This resource allocation is in alignment with industry analysts and experts that have conducted research over the years. Accenture\(^1\) reported that high performing organizations who transform their HR function through HRO efforts or shared service centers spend approximately 70% of time and cost on strategy and talent management and only 30% on transactions and administration. Similarly, Capgemini\(^2\) reported a targeted Future HR Service Profile with 60% of time and costs on strategy and organization effectiveness and only 40% on HR Operations. This is achievable through a value driven HR delivery model.

Is this shift attainable and what are organizations doing to make this shift? Our survey respondents reported that they are planning to make the following changes to increase efficiencies and enhanced productivity.

1. Implement shared services
2. Better leverage or upgrade technology (including increasing the use of mobile technology)
3. Create an HR strategy

This report summarizes the key findings on where HR organizations currently see themselves and what strategies are being used to make the shift.

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Staffing & Resource Allocation

In a time where we are “doing more with less”, HR leaders are focused on making sure they have the right staff focused on the right tasks. For years, the reported benchmark for HR to FTE employee ratio has been around 1 HR professional for every 100 employees. Our survey results show a slight increase in this measure with a median response of 1.12 HR professionals for every 100 employees.

Based on the role expansion for HR, this increase in headcount can be attributed to the need to offer more to the organization. HR functions are still continuing to pay and provide benefits but are also offering other strategic functions (e.g., leadership development, succession planning, and workforce planning).

When looking at HR staffing and resources, it is important to allocate the correct staff mix, bench strength and skills. HR leaders need to find the right balance for the HR function to meet the organization’s needs. This also requires analysis of the mix of HR professionals, (e.g., Directors, VPs, Coordinators, and Generalists). Although contingent upon the service delivery model and the size of the organization, this survey found that most organizations reported at least 4 staffing levels. The most frequently reported position types were Generalists, VPs, Directors, Managers and Administrative Support. The least reported staff level was the HR Business Partner potentially indicating that although there is a push for increased strategic focus, our respondents have yet to make the transition to this role and leverage HR consulting internally.

Finally, it is important that HR leaders know if they have the right skill sets to deliver on the services the business requires. We asked the respondents to tell us which skills or competencies are most important in their HR team and what needed the most improvement.

Most Important Competencies of HR Staff

Our survey found the three most important competencies to be:

- Financial Acumen
- Project Management
- Technology

This indicates that the survey respondents feel that the HR staff needs to have a strong foundational knowledge of the HR function. With the movement toward strategic partnering, it is not surprising that relationship management is a top competency. The high ranking reflects the need for HR to build relationships with organizational leadership to become strategic partners and have a stronger presence when decisions are made. Additionally, to excel and influence within the organization, HR staff also need to be able to effectively lead
others. This can mean leadership through direct reporting relationships, influencing peers, or functional leadership among employees.

The three skills or competencies reportedly needing most improvement or are lacking all together are:

The difference between these top three lists might indicate that the most important competencies (e.g., relationship management, HR functional knowledge and leadership) are traditional HR competencies. The three competencies needing most improvement (e.g., financial acumen, change agent, strategic thinker) are newer to HR professionals.
Technology can truly impact the value of a HR organization. There are many technology options and the market is volatile with vendors continuously merging and re-developing their products. Additionally, there is a significant cost investment for technology.

As organizations continue to work to improve organizational efficiency, facilitate mobile workforces, and with changing legal requirements it’s not surprising that **54% of our survey respondents indicated they have plans to upgrade or implement new technology over the next 5 years. In fact the majority reported they were looking to find new technology solutions in the next 3 years.**

According to our survey, when organizations leverage technology applications it is typically for their primary HR processes. The top HR processes being enhanced with technology are:

1. Payroll and Time Collection
2. Onboarding
3. Recruitment and Selection
4. Learning and Development
5. Compensation

The most common products reported by our survey respondents included ADP, Oracle, Kronos, Ultimate Software and Sage.

Note that the top reported processes are those that typically have many touch points or are more complex.

Conversely the processes with the least amount of technology in place were:

1. Organizational Development
2. Employee & Labor Relations
3. Compliance & Risk Management
4. Succession Planning & Leadership Development
5. Exit Management

This list may reflect how these HR processes are highly customized thereby making technology more difficult to implement. It could also reflect how organizations are prioritizing these activities.

Given that the processes for Organizational Development, Succession Planning, Leadership Development, and Employee & Labor Relations would likely have a higher variance or be more likely to be customized by organizational requirements it isn’t surprising that the technology investment isn’t focused in these areas. The newer SaaS technology is focused on configurable processes not customizable. Additionally organizations tend to place less focus on exit management and at times rely on the employee handbook or learning & development to manage compliance and risk management areas.

Perhaps it’s time for the HR technology vendors to expand their product portfolios to better support the full cycle and processes of human resources.
Many survey respondents indicated that they plan to change their service delivery model to better serve their internal customers. We asked our survey respondents to reveal their current service delivery model. Over 60% reported a centralized or single HR function followed next by 23% of responding organizations reporting a Shared Services environment with HR Centers of Expertise and HR Business Partners. The least common structure was a decentralized approach.

Keep in mind that the primary respondents were organizations with fewer than 5,000 employees. The shared services model was traditionally adopted in larger sized organizations. However, the trend is showing many mid-sized organizations exploring and adopting a version of this model. To dive deeper into the models, we asked our survey respondents to tell us what processes are in a shared services arrangement, which processes are delivered through a Center of Expertise and what’s being outsourced to a third party.
The most common processes reported in a shared services arrangement were:

01. Onboarding
02. Recruitment and Selection
03. Learning and Development
04. Succession Planning and Leadership Development

The shared service approach allows for improved utilization of the staff focused on these areas. It can also be supported by best practices and benchmarks for these processes.

The processes most served through a Center of Expertise included:

01. Health & Welfare
02. Compensation
03. Information Management
04. Retirement

These areas tend to require specialized knowledge, and have the highest level of government-required reporting compliance. Because of the technical nature of these processes, they are also typically areas that organizations look to outsource.

The most prevalent processes reported as outsourced, included:

01. Health & Welfare
02. Retirement
03. Information Management
04. Payroll

In contrast, the processes reported as most likely being in-sourced are:

01. Workforce Planning
02. Onboarding
03. Exit Management
04. Organizational Development

Additionally these practice areas typically need to be customized to accommodate internal needs. Note that these in-sourced activities are highly customized for each organization. They are supported through personal interactions or a deep knowledge of the organizational goals.
Our survey respondents have indicated it’s time to make a change! HR organizations are looking to improve service delivery and measure the impact. Survey respondents named a few of the critical metrics used to measure the effectiveness and/or efficiency of their HR organization.

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<td>Relevant trainings conducted and expected</td>
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<td>ROI on learning &amp; development</td>
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An organization’s approach to Human Resources Delivery is contingent upon many factors such as industry, size, business needs and budget. Finding the right approach to your organization’s needs requires an introspective look at how you do business today and what is needed to move your company forward.

HR service delivery will become more critical as organizations face the future challenges associated with hiring millennials, retaining high performers, competing for talent and developing the next generation leaders.

Companies need to invest in their HR organizations to thrive and HR leaders must be ready to deliver!

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