

Data shows:

HR is still trapped in transactions

For years, HR has sought to up its strategic game. But Mercer data suggests that HR time is still spent transactionally—and often not aligned to the organization's priorities.



HR functions, for years, have strived to shift into a model that empowers a consultative relationship with the business, often enabled by the centralization and automation of transactional work. To help on this quest, at Mercer, we use the proprietary **Operations Scanner™**, a tool to help HR organizations measure how they spend their time, as well as the value and effectiveness delivered to their organizational stakeholders. Having used this tool with hundreds of organizations, we're able to identify benchmarks and see trends over time in the deployment of HR resources.

The results are striking—and show a clear mandate for change among HR organizations. Here's what we found:

Finding #1

HR time is not being spent strategically.

Finding #2

Technology has not been adequately leveraged to deliver on its promise.

Finding #3

Due to urgent needs, talent management is losing the battle for time, particularly to talent acquisition.

Finding #4

HR remains markedly understaffed versus comparable functions.



Finding #1

HR time is not being spent strategically. We examined Scanner data tracking how HR organizations distribute their time through certain role designations, such as transacting/recordkeeping, delivering services, designing services and the role many functions aim to maximize: **Strategic partnering**.

Prior to 2018, HR organizations spent, on average, 10% of their time on strategic partnering activities, a dispiritingly low proportion of the time for the most critical areas of thinking. Since then, with all of the massive change in the world due to the pandemic and increased focus on diversity, equity & inclusion (DEI) issues, the time allocation has only moved up to 13%, representing only a marginal increase, despite countless transformational efforts designed to tip the scales.

Longstanding assumptions behind the value of **HR's three-legged model**—centralizing design work in centers of expertise (COEs) and transactional work in shared services in order to unlock business partnership—have not been borne out in the data.

Similarly, our examinations of value and effectiveness data from Scanner found that HR's business leaders' stakeholders across hundreds of organizations rated strategic partnering with the highest average gap between importance and effectiveness by participating business leaders. This is indicative of HR's inability to deliver on the perceived value of the role, which business leaders continue to insist is desired and necessary, perhaps more now than ever.

Finding #2

Technology has not been adequately leveraged to deliver on its promise. Investment into HR functions over the past decade has generally been driven by the deployment of major technologies, such as **Workday** and ServiceNow. Organizations sought efficiency gains that would enable HR functions to operate at

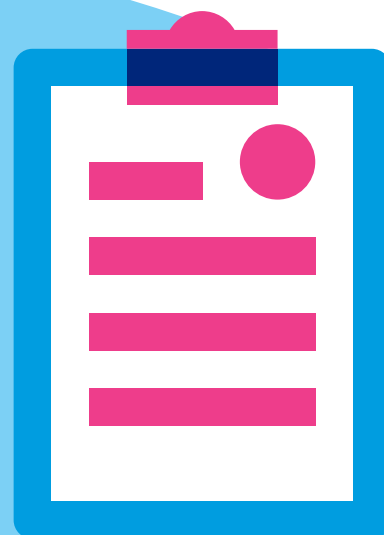
lower staffing levels—but many organizations didn't commit to the process and operating model shifts required to maximize the value of their technology investment. As a result, comparing Scanner benchmarks from before and after the watershed year of 2015, transacting/recordkeeping was only reduced by 5-7%.

Finding #3

Due to urgent needs, talent management is losing the battle for time, particularly to talent acquisition. Business leaders have consistently rated the following seven processes with the biggest gaps between importance and effectiveness for over a decade:

1. Succession planning
2. Career development
3. Recruiting
4. Employee engagement
5. Talent management
6. Leadership development
7. Workforce planning

These are all core talent management processes, but HR functions are only spending an average of 6-7% of their time on talent management. What's deterring HR from allocating additional time? Talent acquisition, which accounts for nearly 20% of HR's time. This time is often spent in tactical bursts around periods of aggressive hiring, rather than on a strategic build for the future.



The seven HR processes with the biggest gaps in ratings between importance and effectiveness for over a decade:



Business leaders at participating organizations were asked to rate a series of customer processes on a six-point scale for both importance and effectiveness. While the potential value of these processes (if delivered well) is recognized, HR functions are struggling to deliver them effectively today.

Finding #4

HR remains markedly understaffed versus comparable functions.

Organizations continue to assert the importance of their talent, particularly in this era of employee empowerment, but when you look at their spend, they simply are not allocating the resources required for HR functions to execute on critical people agenda initiatives. Instead, HR functions are continuously asked to do more with less.

According to external benchmark data (PwC Saratoga Benchmarking), while Finance and IT are staffed at an approximate ratio of 30:1—meaning one Finance/IT professional for every 30 employees in the company—HR continues to be staffed at an approximate 90:1 ratio, one-third of the level of IT or Finance. If organizations truly prioritize their talent, they should invest further in the HR function.

HR often doesn't help itself in this struggle. We continue to observe HR business partners, in an effort to stay relevant, engage in a fight for

work, which often leads to sharing responsibilities that should really be performed by more junior levels in the HR organization. COVID responses have also added more tactical work to HR's plate as they manage things like vaccine tracking, return to work, hybrid work arrangements and the cultural issues that arise from an increasingly remote workforce.

We are now in a time where organization's people strategies and their ensuing employee experience has become more critical than it ever has before. Employees have the ability to shift jobs, enter and exit the labor market more seamlessly than ever before.

The time has come for organizations to either step up to the plate and put the resources behind their "people first" messaging or continue to falter with lagging talent practices and transactional HR functions incapable of effectively enabling a talent agenda.

Evolution of decision drivers

2008
Financial Crisis



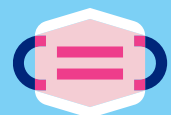
CFO takes the lead

21st Century
Digital Era



Rise of the CIO/CTO

Today
Pandemic & Aftermath



With people at the center, can HR step forward?

The Mercer approach

Mercer works with client organizations around the globe to assess the efficacy and efficiency of their HR functions, spearheaded by the deployment of our proprietary Operations Scanner™ survey technology. The survey includes two key modules that enable us to take a unique quantitative approach to **HR transformation**.

Time allocation is a study that enables organizations to understand how their HR function time and labor costs are being allocated using a multidimensional analysis approach (i.e. 400+ activity dictionary linked to factors such as function, role and job level).

Value and effectiveness is a perception-based survey that allows organizations to pulse business leaders on what they value most from HR and where they are falling short from an effectiveness/performance standpoint.

We leverage these data points to help clients build a future state, employee-centric design that intentionally begins with a **Target Interaction Model**—where employee needs are segmented and mapped to preferred delivery channels—before building the underlying **Target Operating Model** that defines service delivery.



Client example

A large professional services firm, as part of its Vision 2025 exercise, imagined a future state where its HR function performs a strategic advisory role alongside business leaders. The organization's talent objectives continue to evolve in lockstep with its business strategy and the firm needs the HR function to take more of a leadership role in enabling its agenda.

Mercer's partnership with the organization began in 2021 with a comprehensive assessment of its current state. Stakeholder interviews and focus group findings were triangulated with Scanner™ insights as a means of identifying gaps and opportunities for enhancement.

Mercer co-facilitated a number of working sessions with the organization to ideate on a **Target Interaction Model** that was optimized to suit the needs of their evolving workforce. Time allocation data was then leveraged as part of a rigorous modeling methodology to construct a **Target Operating Model** that includes FTE projections, new roles, responsibilities and clearly delineated allocation of activities. The organization is now in the midst of its implementation journey as it aims to enable execution on the Vision 2025 impetus for change.

Project milestones:

- Creation of a centralized delivery channel to streamline transactional tasks
- Bifurcation of the HR generalist community to create strategic advisors that work with business leaders and HR managers that work directly with people managers
- Launched a Strategic Talent Initiatives COE to undertake the ongoing management of the organization's people strategy

Authors

Tim Flank, Principal, Workforce & HR Transformation, Mercer
Karen Piercy, Partner, Workforce & HR Transformation, Mercer
Melissa Swift, Partner, US Transformation Leader, Mercer

Learn more

For more information, visit us online at **mercer.ca** or **contact us** today.