



Realigning the Human Resources Function

Leveraging current state assessment and benchmarking methodologies to bring HR back into alignment with business needs

The Challenge

It is an exciting time in the HR community, as members no longer need to push to get a seat at the table and are considered significant drivers of change and value. However, we must recognize that where the HR function stands today is, in many cases, the result of multiple years of cost-cutting initiatives. After already achieving a lean state of operation, it is not uncommon to find that HR size and cost has been reduced even further. Yet, just when organizations have tirelessly worked to minimize costs as much as possible, executives have become even more aware of the importance of HR within firms, where talent is a crucial asset. As a result, firms are consistently asking HR to take on larger, more strategic roles, requiring the function to now do more with even less. The expectations for HR have never been higher—from implementing new talent strategies, to leveraging analytics for decision making, redefining the employee experience to meet increasingly complex global and generational demands, and being stewards of culture and change management.

The outcome of these two contradictory mandates—“lower costs” and “contribute more”—has left firms scattered across a broad spectrum of HR operating models and actual contributions to the business. Many HR functions find themselves seesawing back and forth between centralizing and de-centralizing, functionalizing and creating centers of expertise, and driving self-service and retaining high-touch support, all while engaging in an increasingly intense war for talent and trying to keep pace with a dynamic business environment. It’s no wonder that many HR functions lose sight of their strategic priorities and find that, after long cycles of focusing inward, the business has evolved without them, leaving their structure and solutions misaligned with the business’ needs.

As we look across a set of high-performing financial services, FinTech, and professional services firms, we see widely disparate outcomes, with some institutions spending as little as \$500 per employee to provide HR services, and others spending ten times that or more. Similarly, ratios of the number of heads supported by HR range from as low as 20:1 to as high as 100:1. Interestingly, our data indicates that while there are links between organization size or industry sector and HR support ratios and costs, there are many organizations that don’t fully realize the efficiencies of scale that could be gained through optimization.

As HR becomes increasingly misaligned with the organization, it faces the following challenges:

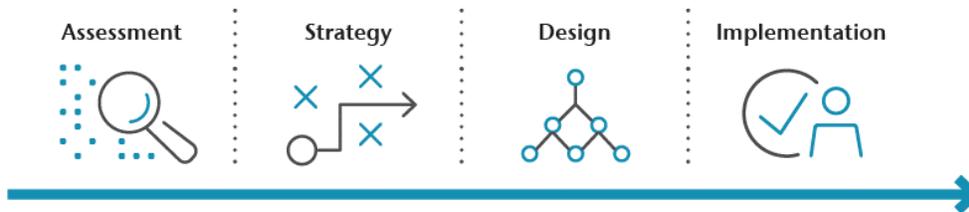
- **Increasing employee frustration**, driven by ineffective processes that lack easily accessible and relevant HR support and information, and a decentralized web of systems that may not be integrated.
- **Fragmented and siloed HR structures** that no longer align to the business, hinder the ability to mobilize resources across the function, and prevent a cohesive HR function strategy.
- **Inability to meet business needs**, resulting from a mismatch of needs and capabilities, a reactive vs. proactive HR function, and an inward program focus, as opposed to a scalable outcome structure enabling an agile HR function.

Amid fighting many battles, only some of which are mentioned above, HR leaders ultimately need to pause and return the focus to a strategic level, where the following sequential questions can be addressed:

1. What is our business strategy, its implications for our talent strategy, and what is the role of HR in enabling both?
2. How is our HR function performing today? Are we focused on and investing in the right priorities?
3. What do we need to change in our operating model to better support the business?

The Solution

To answer these questions, HR must follow a process of current state assessment and refinement:



Understanding your current state is a critical factor in any HR optimization or realignment effort to establish a baseline measurement rooted in data and fact, as opposed to hearsay and past experience.

So, where should you begin? It is crucial to gather input from a variety of sources to understand the path forward. Insight from multiple sources that are internal and external to the HR function and organization, can provide a more complete perspective on what the function looks like now and what it should look like in the future. We recommend collecting and analyzing the following data as part of any complete HR assessment.

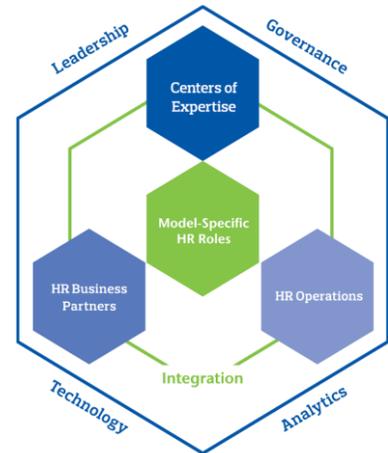
- Your **business strategy** should heavily inform any future state and path forward for the HR function. Further, your business strategy should influence your **talent strategy**. If one does not exist, a clearly articulated talent strategy can be helpful in aligning executives and HR on talent priorities.
- **In-depth audit and benchmarking** of HR costs and structure against leading and comparable organizations is key. Beyond fundamental comparisons of cost and staffing levels relative to enterprise scale vs. peers, firms also will find value in understanding how HR should be organized—what the optimal mix of seniority is, what level of responsibility is needed in individual HR functions (business partners, compensation & benefits, talent acquisition, learning & development, HR operations, etc.), and for smaller, growing firms, what size team and what kind of capabilities they should plan to acquire at a given size and growth trajectory.
- **Stakeholder feedback** is critical to gain qualitative and quantitative insights into the perceived value and effectiveness of HR's services. Stakeholders typically include senior executives, people managers, employees, and select HR team members.
- **An HR Activity survey** can be used to outline and summarize how HR employees are spending their time across career level, region, and business unit.

The Right People Focused on the Right Priorities

- Up to 68% of HR's time is spent on administrative activities
- 36% of HR executives' time is misaligned to low-value tasks
- 35% of a typical HR function's activity could be automated, creating capacity for higher value activities

After collecting and analyzing various input and data from your organization, it is time to strategize and complete your vision for the future. There are various models that represent a best-in-class HR function. What is most important is that the HR structure and model are tailored to fit your organization’s needs. One size does not fit all.

Alignment with your business strategy, talent strategy, leading practices and benchmarks, and your HR talent’s capabilities are all critical factors for designing your future state. It’s not just about drawing the boxes and redesigning the work. These four key enablers for any HR function must also be addressed: leadership, governance, analytics, and technology.



Taking Action

While establishing the right model and level of resources is a critical foundation for any HR function, simply having the right structure is not enough. There are other factors to consider for a holistic approach to be truly effective. As summarized in the image below, we recommend four critical objectives for any transformation effort: having the right people, aligning within the right model, ensuring you are equipped with the right capabilities, and being focused on delivering outside-in value and solutions to internal stakeholders.

	 The Right People	 In the Right Model	 Prepared to Deliver	 Customer-Centric Solutions
What Great Looks Like	<ul style="list-style-type: none"> HR staff who think from the outside in HRBPs with the right mindset and aptitude to provide business performance consulting services 	<ul style="list-style-type: none"> Well-designed HR operating model with clearly defined roles and flexible resource deployment to meet emerging business needs Clearly designed processes that shift operational work to the right resources 	<ul style="list-style-type: none"> HR staff with the right skills and capabilities Alignment with business leaders on the role for HR in general and HRBPs in particular 	<ul style="list-style-type: none"> Intuitive HR portal and other tools to create a frictionless customer experience Access to the right data, analytics, and insights Processes and capabilities for driving strategic initiatives and leading organizational changes
Critical Actions	<ul style="list-style-type: none"> Develop the HR competency model and career progression frameworks Assess and select HR staff using leading practice processes and tools 	<ul style="list-style-type: none"> Rethink governance to ensure priorities are focused on the right outcomes Implement leading-practice, customer-centric service delivery Develop HR interaction models to address the gray space and how teams work together 	<ul style="list-style-type: none"> Build strategic change management expertise, methodology, and tools Identify and address HR capability gaps Promote and operationalize HR knowledge sharing and collaboration 	<ul style="list-style-type: none"> Deploy intuitive and flexible systems and tools to meet evolving organizational needs Design end-to-end processes with the customer experience as top of mind

Finally, with these critical pieces in place, HR leaders need to keep one more thing in mind—the HR function, like a business, is dynamic and must remain agile in order to grow with the firm and remain in alignment as objectives, priorities, and needs change over time. Leaders should foster a continuous improvement mindset in which they periodically assess and benchmark the function and adjust as necessary to ensure alignment with evolving business and talent strategies.

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