

HR Service Delivery and Strategy

OVERVIEW

What are the dynamics of HR service delivery in 2008? What is HR's role in participating organizational strategy? The following study was conducted to uncover the dynamics of how HR services are being delivered in Northeast Ohio, particularly among small and medium sized employers. The results paint a picture of how service delivery will look in the next year for a number of local employers, and also depict inherent inconsistencies between HR challenges and HR activities.

- Most organizations split service delivery of HR transactions between managerial and HR areas.
- Even though technology has allowed for greater managerial and employee self service, only 56% of those surveyed say they use technology to enhance their service delivery activities. Most that use technology have been able to reduce time spent on administrative tasks.
- Employee engagement, satisfaction and commitment ranks among the top three challenges faced by HR employees, but an extremely small percentage of organizations ranked developing programs that enhance these levels of engagement and satisfaction.
- Human Resource personnel report spending most of their time on administrative activities including compensation, benefits, and traditional HR activities such as recordkeeping, enforcing compliance, and developing policies.
- Generational differences have impacted HR service delivery primarily related to training and development, compensation, and work/life programming.
- Sixty-four percent of employers say their top management recognizes the importance of HR. Employers in the services industry were significantly more likely to have top management recognize the importance of HR than employers in the manufacturing industry.

STATE OF HR SERVICE DELIVERY

In terms of HR transactions, organizations reported a moderate degree of managerial self service and high degree of HR service as the most popular forms of service delivery. Employees tend to have a low degree of self service, meaning that they are generally unable to change personal data and view policies, postings, pay information, and benefits while HR departments and managers share many HR duties. Organizations with more than 200 employees were more likely to use higher rates of employee and managerial self service.

Exhibit 1: Service Delivery – All Organizations

Service Delivery – All Organizations			
	High Degree	Moderate Degree	Low Degree
Employee Self Service	12%	6%	82%
Manager Self Service	15%	38%	47%
HR Service	47%	44%	9%

Exhibit 2: Service Delivery – Organizations with > 200 Employees

Service Delivery – Organizations with > 200 Employees			
	High Degree	Moderate Degree	Low Degree
Employee Self Service	30%	10%	60%
Manager Self Service	20%	40%	40%
HR Service	50%	20%	20%

Organizations appear to be using technology to enhance service delivery. Those in the manufacturing industry generally use technology to enhance service delivery more than those in the services industry. Additionally, those organizations with more than 200 employees tend to use technology more so than those with less than 200 employees. Despite having this technology, only some organizations have said it has reduced time spend on HR activities. Organizations with over 200 employees had the highest rate of satisfaction with their technology in reducing time.

Exhibit 3: Technology Usage to Enhance HR Service Delivery

Technology Usage to Enhance HR Service Delivery	
	Percent
All Organizations	56%
Manufacturing	58%
Services	42%
Less than 200 Employees	46%
More than 200 Employees	80%

Exhibit 4: Technology Effectiveness in Reducing Time Spent on HR Activities

Technology Effectiveness in Reducing Time Spent on HR Activities	
	Percent
All Organizations	41%
Manufacturing	32%
Services	25%
Less than 200 Employees	21%
More than 200 Employees	60%

In terms of outsourcing, 41% of those surveyed reported outsourcing HR functions. This rate was fairly higher for those organizations in the services industry – 67% of which report outsourcing. Organizations with fewer than 200 employees also outsourced at a slightly higher rate than larger organizations with more than 200 employees. The most common HR tasks that were reported as being outsourced were payroll, COBRA, workers compensation, employee assistance programs, and retirement benefits administration.

Organizations appear to be spending the majority of their time on HR activities like compensation, benefits, payroll administration, record-keeping, enforcing compliance, developing policies, labor and industrial relations, administrative tasks, recruiting, and hiring. Organizations report spending less time on developing programs to increase employee engagement and leadership development, but nonetheless report that these are significant challenges for them in 2008.

Exhibit 5: HR Activities in Order of Time Spent

HR Activities in Order of Time Spent	
	Percent
Compensation, benefits and/or payroll administration	73%
Traditional HR activities such as recordkeeping, enforcing compliance, developing policies, etc.	73%
Labor and industrial relations	67%
Administrative tasks	67%
Recruiting and hiring	64%
Change management	51%
Talent management (performance management, training, etc)	44%
Strategic discussions and partnering	40%
Leadership development	38%
Developing programs to increase employee satisfaction or engagement	27%

SERVICE DELIVERY CHALLENGES FACING HR DEPARTMENTS

The challenges facing HR departments are mainly centered on talent acquisition, employee engagement, and building leadership/succession planning. Organizations also noted that reducing costs is an important challenge. These challenges were fairly consistent across industries and organizational sizes showing slight variations. Developing talent was reported as more of a main challenge for organizations in the services industry and those with fewer than 200 employees, while reducing costs is a more imminent challenge for larger organizations.

Exhibit 6: Top Challenges Facing HR Departments in 2008

Top Challenges Facing HR Departments	
	Percent
Attracting talent	59%
Employee engagement, satisfaction, and commitment	53%
Finding available talent	50%
Building leadership or succession planning	41%
Reducing costs	35%
Developing talent	32%
Line manager effectiveness	29%
Increasing workforce productivity	27%
Decreasing turnover	21%
Aging workforce	18%
Change management	15%
Workforce planning	15%
Measuring program effectiveness	9%

Generational differences are also causing important shifts in service delivery. HR departments report needing to focus on the following areas as a result of generational differences.

Exhibit 7: How Generational Differences are Shifting HR Services

How Generational Differences are Shifting HR Services	
	Percent
Need for more training and development programs to make up for skill deficiencies of younger generation	37%
Revamping compensation programs	37%
More work/life balance programs and options	32%
Increase in knowledge management programs retaining older workers' knowledge	26%
Shift from "one size fits all" programs to more fluid and dynamic relationships	21%
Less hierarchy and more flexibility	21%
Revamping job design	5%
None of the above	5%

So what are some goals and objectives in 2008 for local HR departments? Many are related to enhancing HR effectiveness based on these challenges and needs:

- Enhance and streamline paperwork and company communication
- Improve management training
- Focus on leadership development
- Develop a succession plan
- Provide management and leadership training to younger workers
- Conduct an employee engagement survey and come up with action steps
- Increase availability of employee self-service opportunities
- Set up an employee portal on website
- Focus on a total rewards strategy
- Implement a wellness strategy that reduces health care costs
- Introduce a new performance management system with online capabilities
- Improve on-boarding process

HR INVOLVEMENT IN STRATEGY

HR policy and program alignment with the organizational strategy, whether top management recognizes the importance of HR programs to the business, and whether HR leadership has a seat at the “strategic table” in the organization differs based on industry and organization size. Larger organizations as well as organizations in the service industry report that HR is viewed as a more critical part of the organization and that HR programs and policies are aligned with organizational strategy. Additionally, top management seems to recognize the importance of HR programs to the business and HR leadership is viewed as more of a strategic partner.

Exhibit 8: HR and Strategy – Industry Comparison

HR and Strategy – Industry Comparison			
	All	Manufacturing	Services
Organization views HR as a critical part of the organization	67%	58%	75%
HR programs and policies aligned with organization's strategy	79%	68%	92%
The top management at our organization recognizes the importance of HR programs to the business	64%	58%	75%
HR leadership has a seat at the "strategic table" in your organization	53%	42%	75%

Exhibit 9: HR and Strategy – Size Comparison

HR and Strategy – Size Comparison			
	All	Less than 200 Employees	More than 200 Employees
Organization views HR as a critical part of the organization	67%	54%	90%
HR programs and policies aligned with organization's strategy	79%	71%	90%
The top management at our organization recognizes the importance of HR programs to the business	64%	58%	70%
HR leadership has a seat at the "strategic table" in your organization	53%	46%	70%

The highest level HR employee at these organizations is typically a manager or director. These statistics varied somewhat based on the size of the organization. Some larger organizations (more than 200 employees) report a vice president as their highest level HR employee while many smaller organizations (less than 200 employees) commonly report an HR Generalist as their highest-level HR employee – and in many case their only HR employee. Organizations with fewer than 200 employees

report an average of 1 HR employee on staff, while companies with more than 200 employees report an average of 5 HR employees on staff. The overall average number of HR employees across all organizations surveyed was 2.4.

Exhibit 10: Highest Level HR Employee at Organizations

Highest Level HR Employee at Organizations	
	Percent
Manager	41%
Director	35%
Generalist	14%
Vice President	10%

CONCLUSION

Organizations that have yet to consider more employee and managerial self-service using technology-based solutions, may be missing out on opportunities to relinquish more traditional and administrative HR tasks to focus on major challenges impacting their workforce including leadership development, succession planning, and employee engagement.

<u>Participation</u>	
34 organizations	
<u>Size</u>	
1-200 employees	71%
Over 200 employees	11%
<u>Industry</u>	
Manufacturing	56%
Services	36%
Other	9%

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www.ercnet.org
 www.northcoast99.org
 www.erchealth.com

6700 Beta Drive, Suite 300 / Mayfield Village, OH 44143
 phone: 440/684-9700 • fax: 440/684-9760

email: hrhelp@ercnet.org; surveys@ercnet.org; consulting@ercnet.org