



2010 EMEA HR Transformation Survey Results

Contents

- **About the survey**
- **HR transformation in EMEA**
- **HR as a strategic partner**
- **Measuring HR effectiveness**
- **HR performance and initiatives**
- **Appendix**

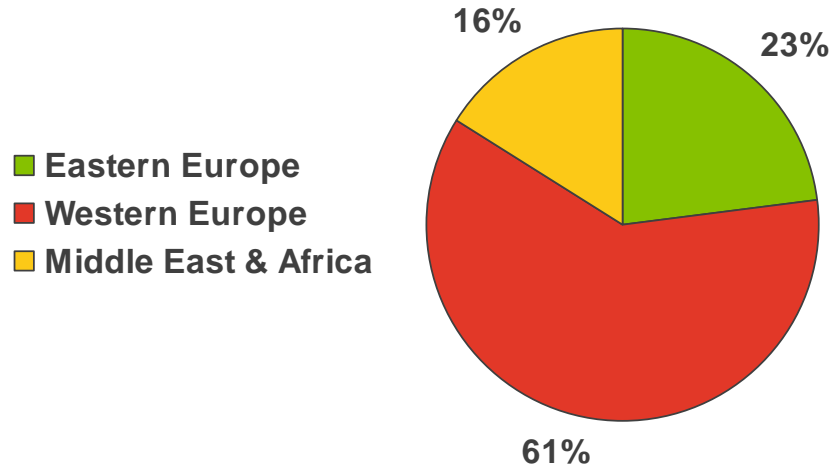


About the survey

HR Transformation in EMEA

- Mercer has been researching HR's transformation for some time and in 2010 conducted the third version of its HR Transformation survey, thus tracking the evolution of the trends identified in 2003 & 2006.
- Mercer's 2010 EMEA HR Transformation survey results once again illustrates the HR function's continuous process of transformation, now for nearly 20 years.
- While some differences emerge over time, it is interesting to note that HR has renewed its focus on both the business and workforce alignment, and the enhancement of its own efficiency, effectiveness and strategic measures.
- This document outlines the results of the 2010 EMEA HR Transformation survey. In addition to this release, the survey results will be presented in:
 - ✓ A EMEA HR Transformation webcast on the 25th of January 2011
 - ✓ An in-depth narrative report including Mercer's point of view on the new generation of HR
 - ✓ Dedicated HR technology article and webcast later in Q1

Over 500 organisations took the survey from across EMEA. The high survey participation rate in itself indicates a continued interest in HR transformation from across EMEA. Significantly increased attention has been noted from the emerging markets of EMEA (almost 40%).

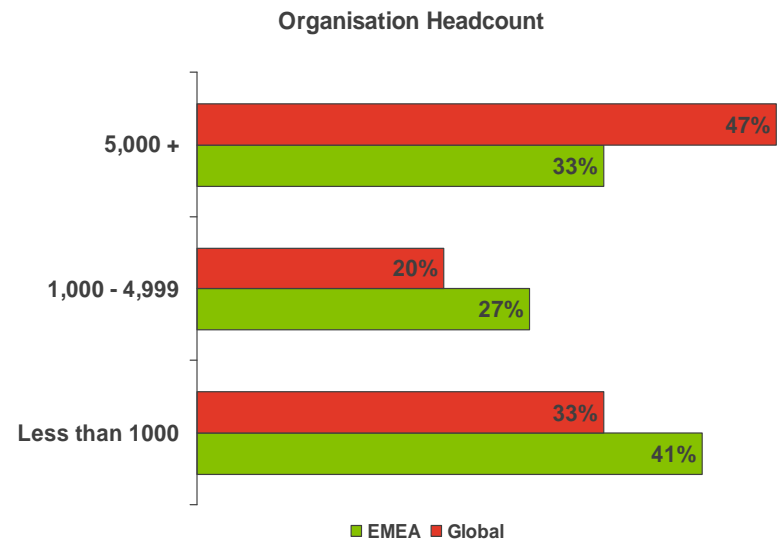
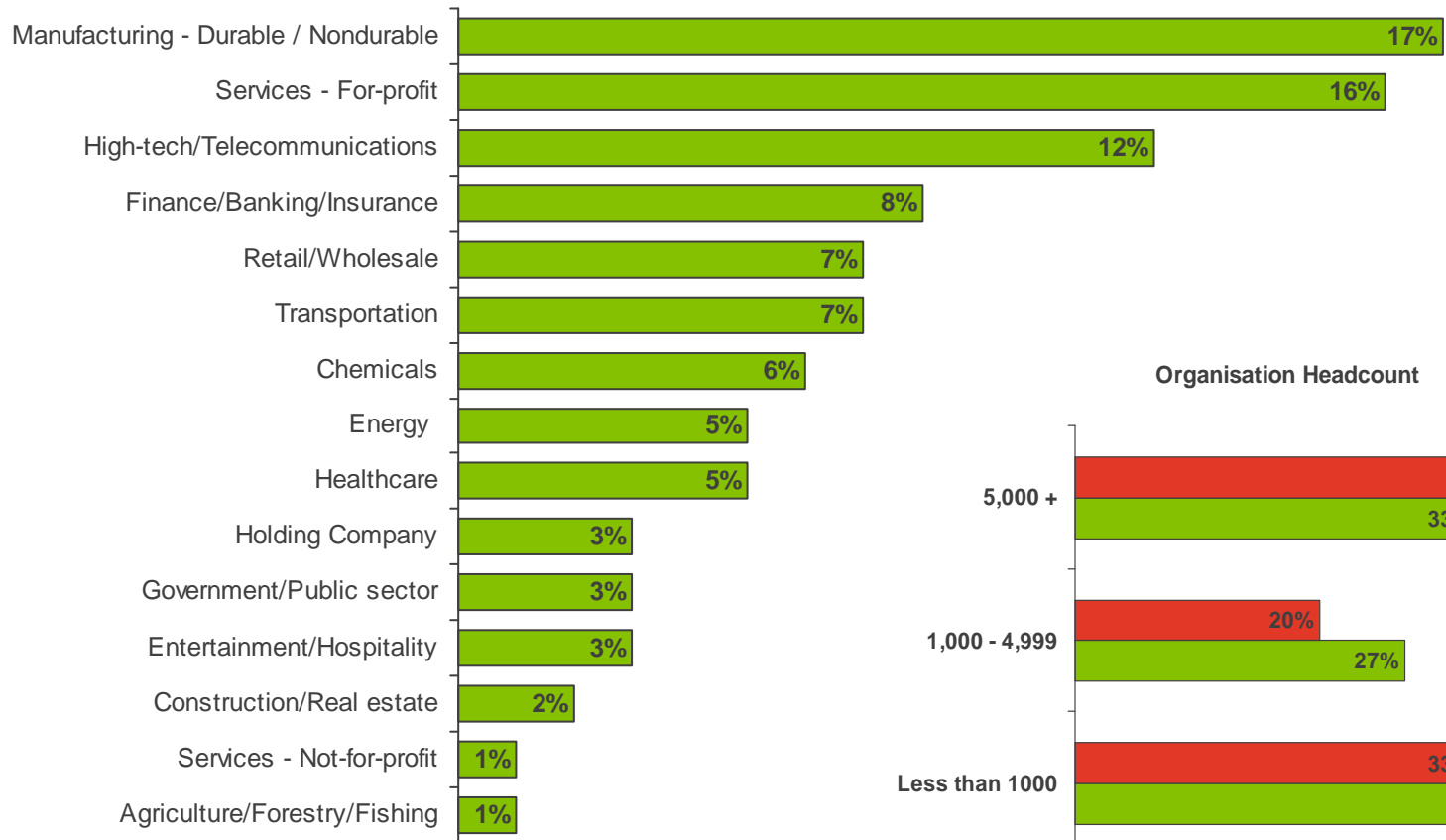


Survey data represents more than 500 Companies from Europe, Middle East & Africa
(breakout provided in appendix)

Participants profile by type of company:

- Global headquarters: 20%
- EMEA headquarters: 14%
- Country subsidiary of foreign multinational: 31%
- Domestic private company (country operations): 27 %
- Domestic public sector/government organisation (country operations): 9%

The survey engaged HR professionals across a breadth and depth of industries





HR Transformation in EMEA

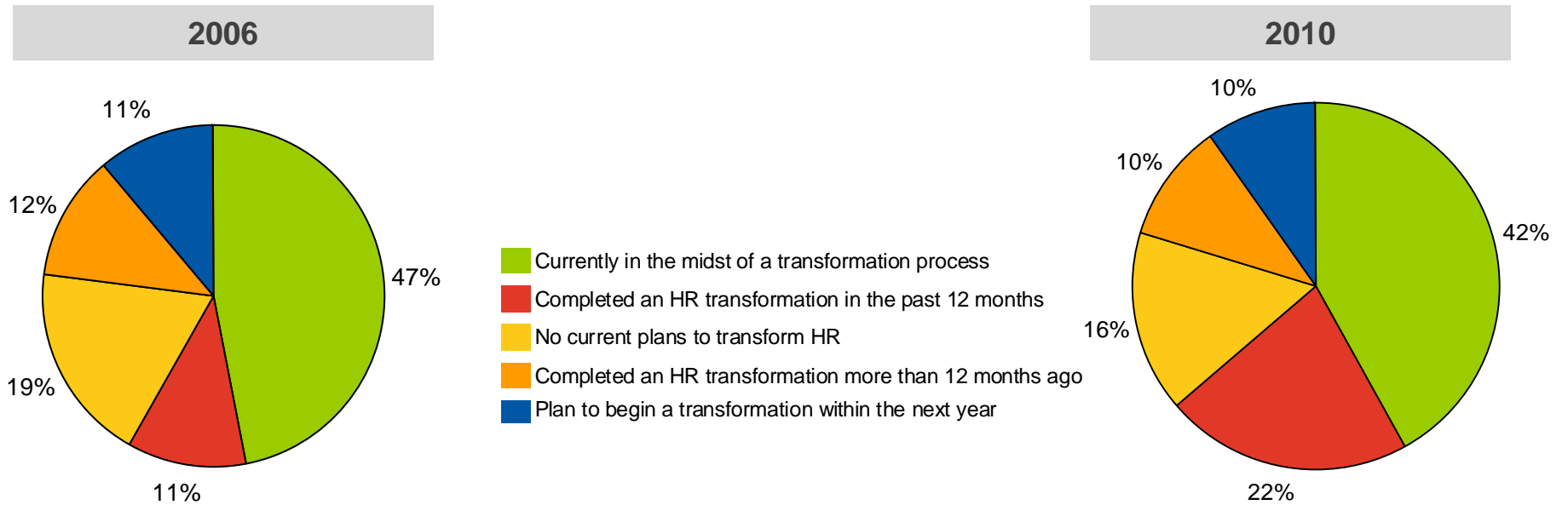
Human Capital challenges for the future indicate a similar and continued focus on management of key talent and embedding a culture of performance across the organisation

Top human capital challenges 2011 onwards



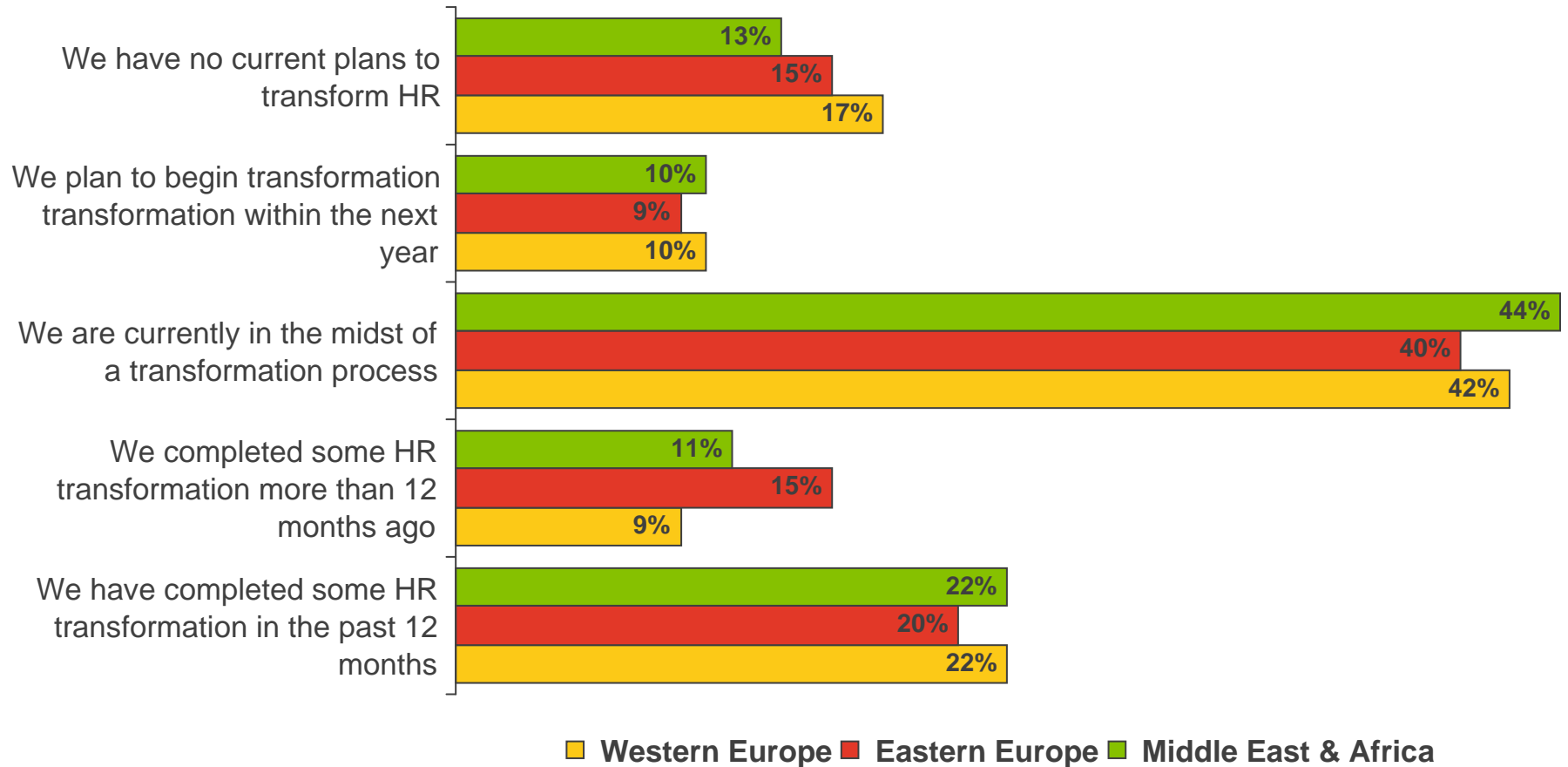
2006 HC Challenges (% of Respondents)	
Acquiring and retaining key talent	60%
Driving cultural and behavioral change in the organisation	44%
Building leadership capability	30%
Increasing workforce productivity	24%
Increasing line manager capability to handle people-management responsibilities	21%

Prevalence of HR Transformation initiatives (EMEA)



- Focus of HR is on continuous improvement and renewal to improve its performance
- Emerging from the recession, over the last year, completion of transformation efforts has doubled
- Nevertheless more than half of the survey participants indicated they continue to engage in transformation efforts or are planning to commence efforts in the year ahead

Transformation across geographies show fairly consistent plans



Top planned initiatives in 2006 and 2010 confirm continued transformation focus HR strategy, processes and talent. In addition, there is now a greater focus on HR effectiveness.

2006

- Design of a new strategy for delivering HR services (80%)
- Redesign of HR processes (61%)
- Talent development strategy for improving skills in HR (60%)

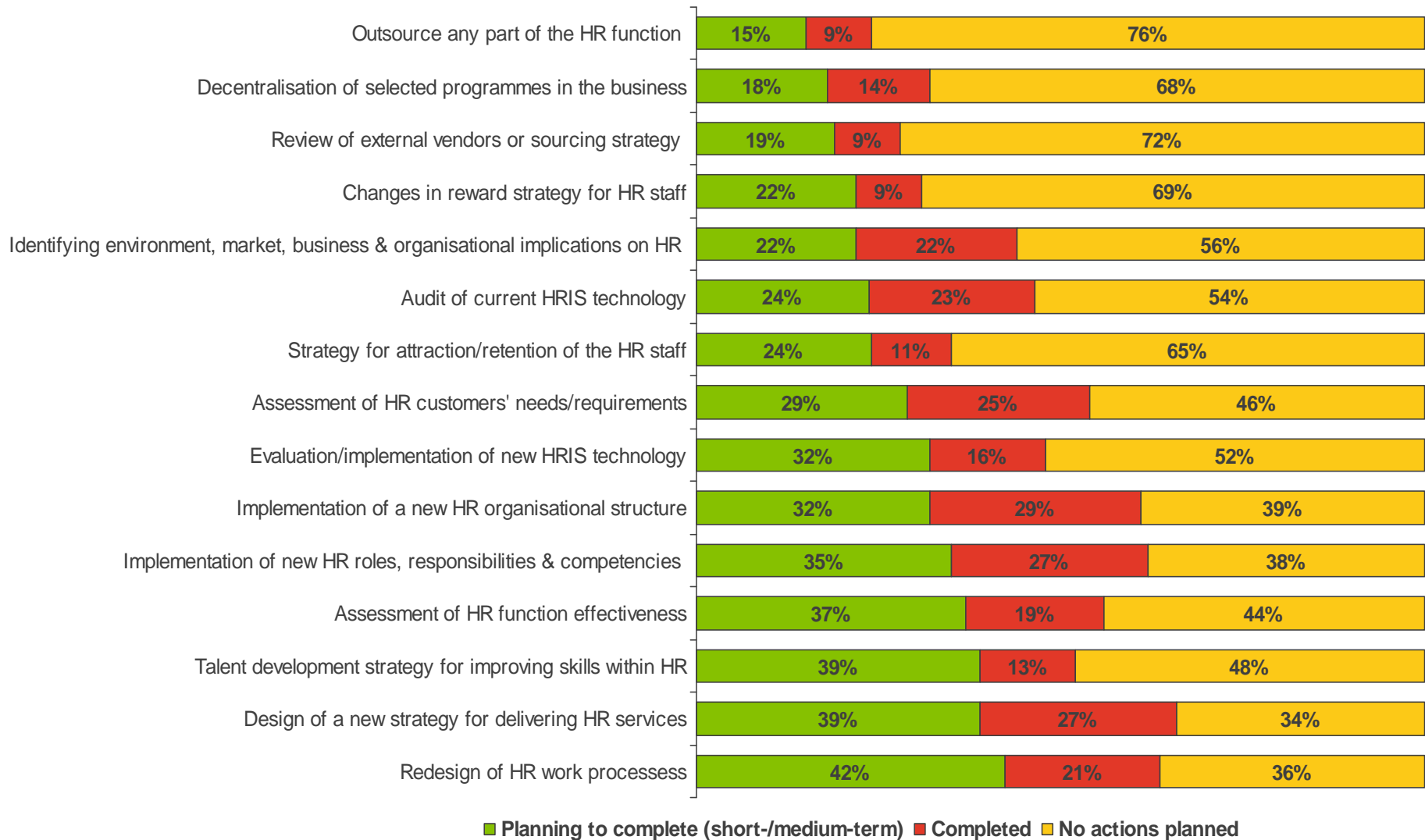
2010

- Redesign of HR processes (42%)
- Design of a new strategy for delivering HR services (39%)
- Talent development strategy for improving skills in HR (39%)
- Assessment of HR effectiveness(37%)

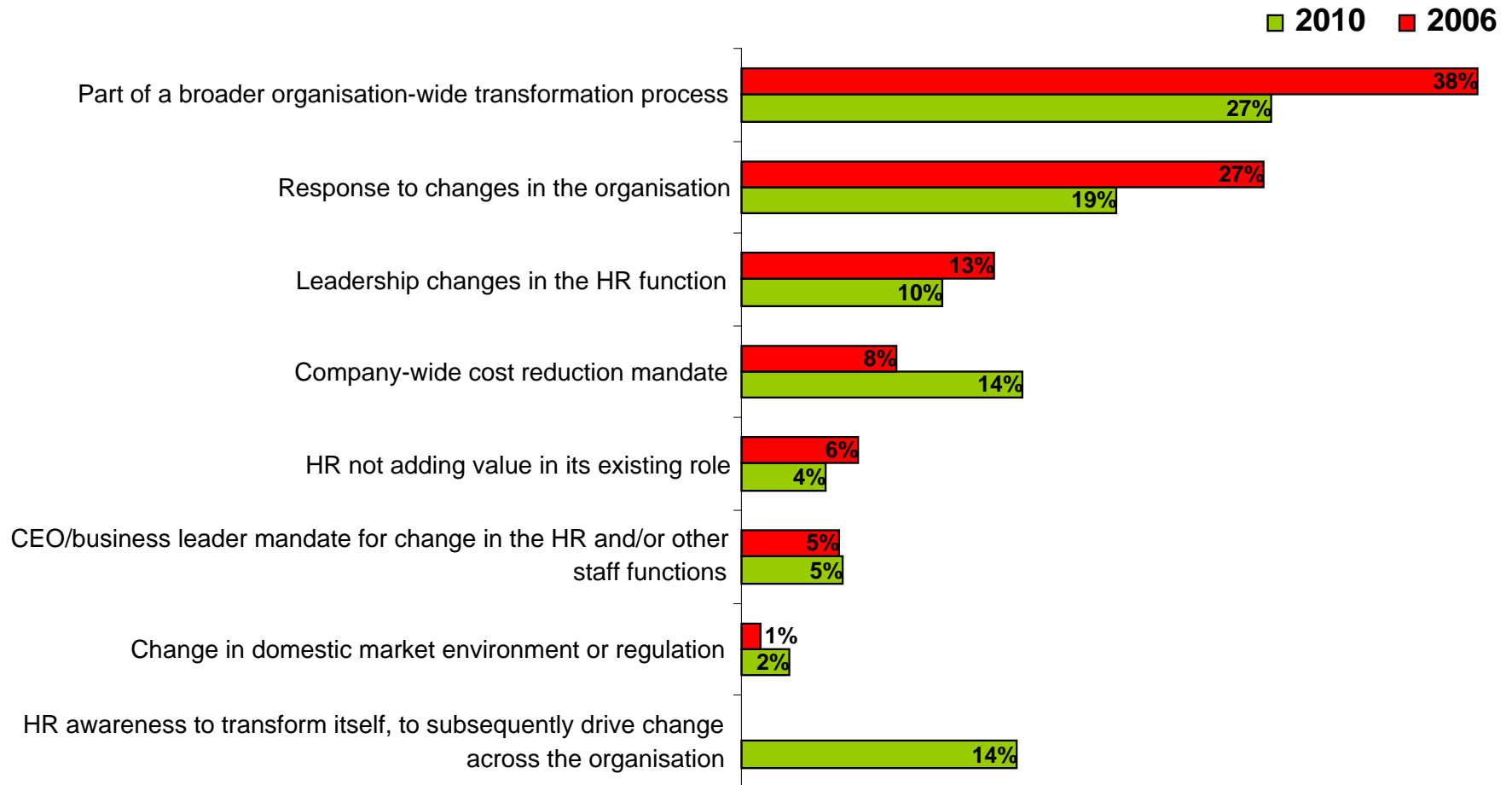
Possible scenarios being considered for further analysis:

- Organisations are maintaining focus on key activities while transforming
- Organisations are on a path of continuous improvement and renewal
- Organisations are taking a breather, pausing to look at its transformational activities

There are fewer planned HR transformation activities compared to 2006, however assessment of HRs effectiveness remains consistent implying on-going performance monitoring or a post recession re-evaluation of HR



HR awareness to transform itself while responding to business changes has emerged as key driver of the HR transformation landscape, while financial management & constraints have increased substantially

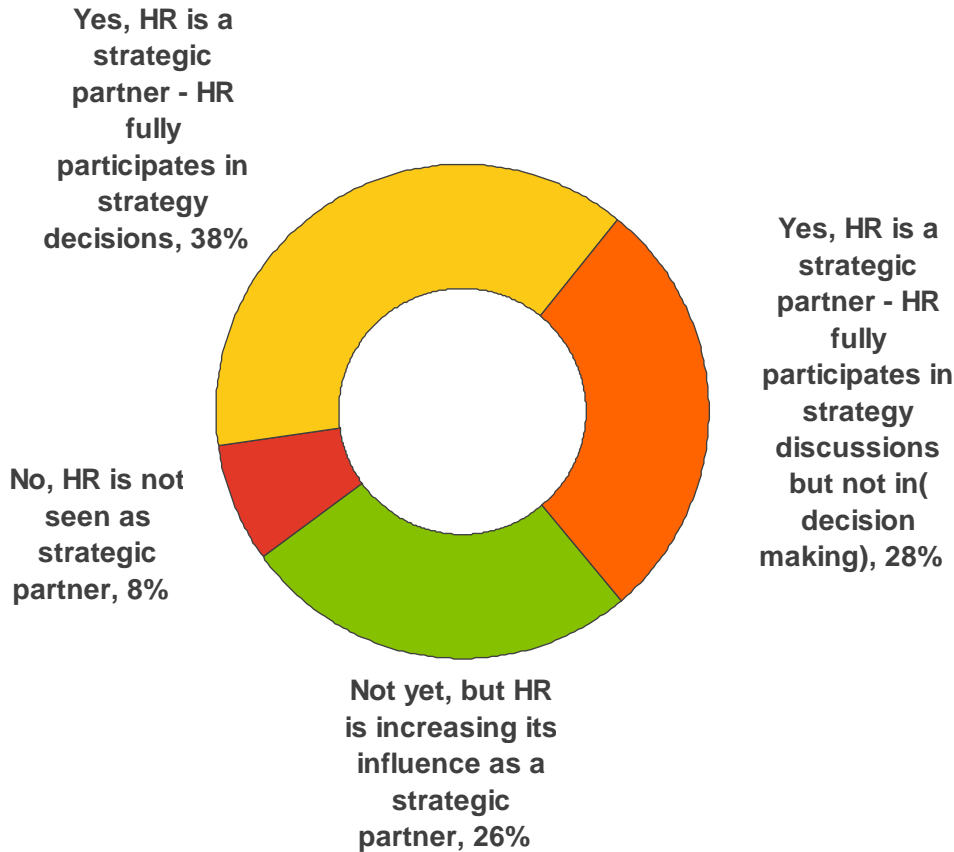


HR Transformation Drivers



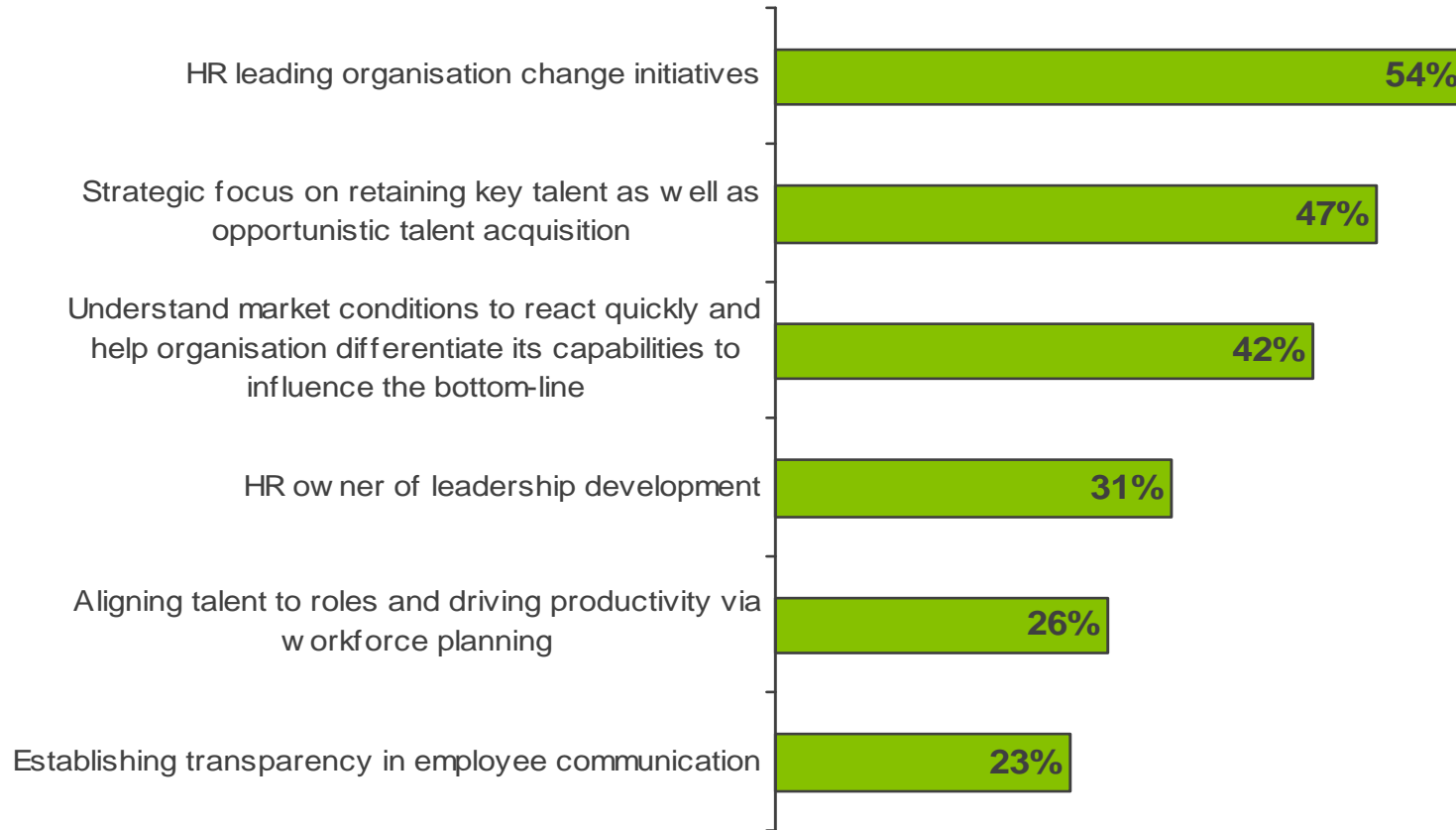
HR as a strategic partner

More than 65% of respondents view their HR function as a strategic partner to the organisation



HR is perceived as a strategic partner because...	% of participants
HR is an active participant when discussing significant business-wide issues	73%
HR is expected to translate business strategy into a human capital strategy for the business	68%
HR drives or develops methodologies to drive change in the organisation	63%
HR is part of business operations planning	57%
HR is brought in early to significant business issues/opportunities	55%
HR is expected to help improve labour productivity	54%
HR builds and/or links data sets to provide enhanced decision support	45%

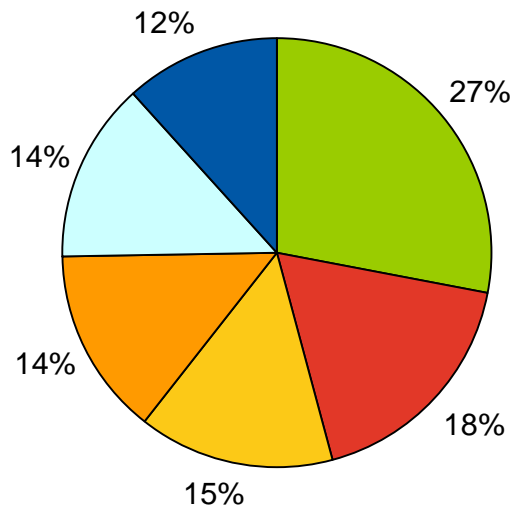
Top roles for HR in the post-recession economy



- A key differentiator from previous surveys is HRs perception or desire to lead organisation-wide change initiatives
- Continued strong focus retaining and acquiring key talent in a post-recession economy

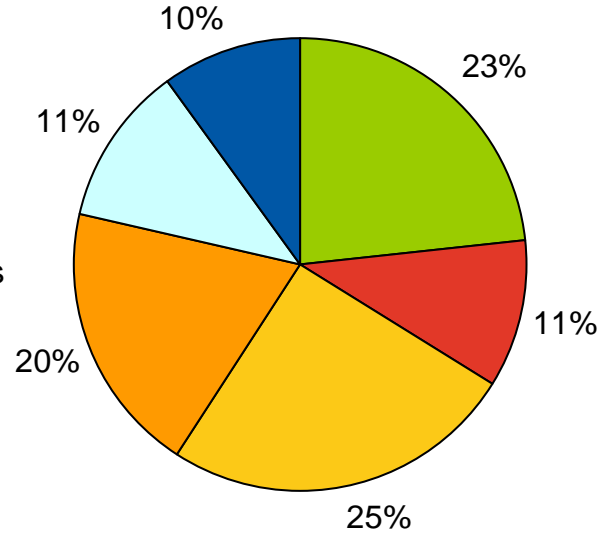
How HR spends its time

Current



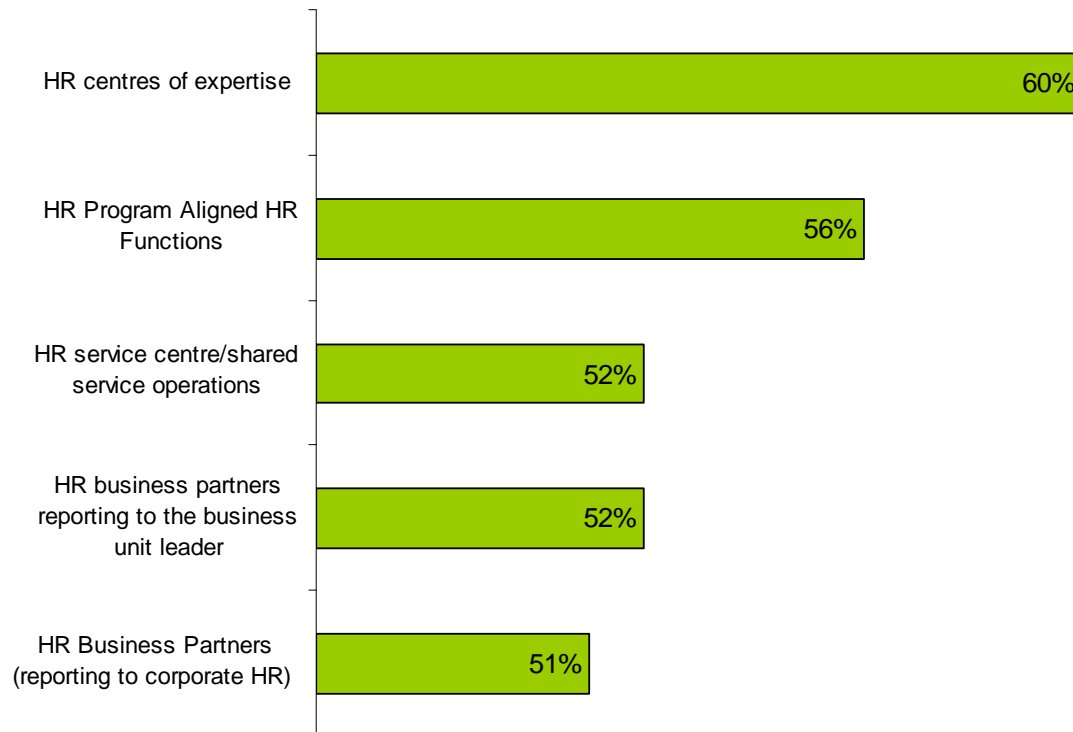
- Delivering HR services
- Transacting/recordkeeping
- Strategic partnering
- Designing HR programs or systems
- Internal Management
- Compliance/auditing

Desired



- Inclusion of Internal Management in the survey sheds light on HRs committed & emerging role in managing & developing its own staff
- Results indicate a dramatic shift in allocation of overall time for transactional and record keeping services
- Although HR perceives itself as a strategic partner as seen earlier, only 14% of its time is allocated to related activities

Trends indicate a continued adoption of the three pillar model...



- Appointment of an HR controller (40%) or specialist transformation implementation teams (51%) emerged across all regions
- Equal number of participants indicated business vs. HR driven decision making protocols

Mercer “Next Generation HR” perspective further outlines why today’s HR service delivery model is failing to deliver on its promise to the business.

- | | |
|--|---|
| 1. Flawed implementation | 4. Limited satisfaction in self-service by employees and managers |
| 2. Insufficient HR skill set | 5. Lack of support for line managers |
| 3. Failure to provide top-notch transactional services | 6. Insufficient geographic focus |



Measuring HR effectiveness

New HR effectiveness measures were introduced to the survey and provide an interesting perspective on the changing focus on external impact of HR

- Cost management and program effectiveness remain consistent with a changing focus on employee satisfaction and engaging with line management
- Less focus is on benchmarking as evidenced with the decline of HR staff/employee ratio and more on measuring the effectiveness of the function
- Whilst HR is aligning itself with the business to help impact productivity and influence the bottom-line, usage of Customer Satisfaction as an effectiveness measure has reduced substantially

HR Effectiveness Measure	% of participants	
	2006	2010
Employee satisfaction	--	76%
Line manager feedback on effectiveness of HR programs and service delivery	--	69%
HR cost management	62%	55%
HR program effectiveness	46%	55%
Meeting stakeholder requirements	--	42%
HR operational measures	30%	42%
Line manager effectiveness as people managers	36%	39%
Impact on business operations/outcomes	34%	38%
HR staff/employee ratio	53%	36%
Workforce productivity	23%	35%
Meeting shareholder requirements	--	34%
Processes in place to lead/facilitate organisational change	31%	34%
Customer satisfaction	65%	34%
Increased usage of HR staff for more strategic interventions	29%	32%
Communication workforce expectations	--	30%
Shift in staff time spent to higher value added activities	21%	20%
No specific measures	11%	5%

Measures of effectiveness showcase similar usage across strategic and non-strategic HR functions

Top 5 measures of HR effectiveness where HR is seen as a strategic partner

Employee satisfaction

Line manager feedback on effectiveness of HR programs and service delivery

HR cost management

HR program effectiveness

HR operational measures

Top 5 measures of effectiveness where HR is not seen as a strategic partner

Employee satisfaction

Line manager feedback on effectiveness of HR programs and service delivery

HR cost management

Meeting stakeholder requirements

HR program effectiveness

Least prevalent measures of HR effectiveness where HR is seen as a strategic partner

Meeting shareholder requirements

Customer satisfaction

Communication workforce expectations

Shift in staff time spent to higher value added activities

Least prevalent measures of effectiveness where HR is not seen as a strategic partner

Impact on business operations/outcomes

Processes in place to lead/facilitate organisational change

Increased customer usage of HR staff for more strategic interventions

Shift in staff time spent to higher value added activities



HR performance and initiatives

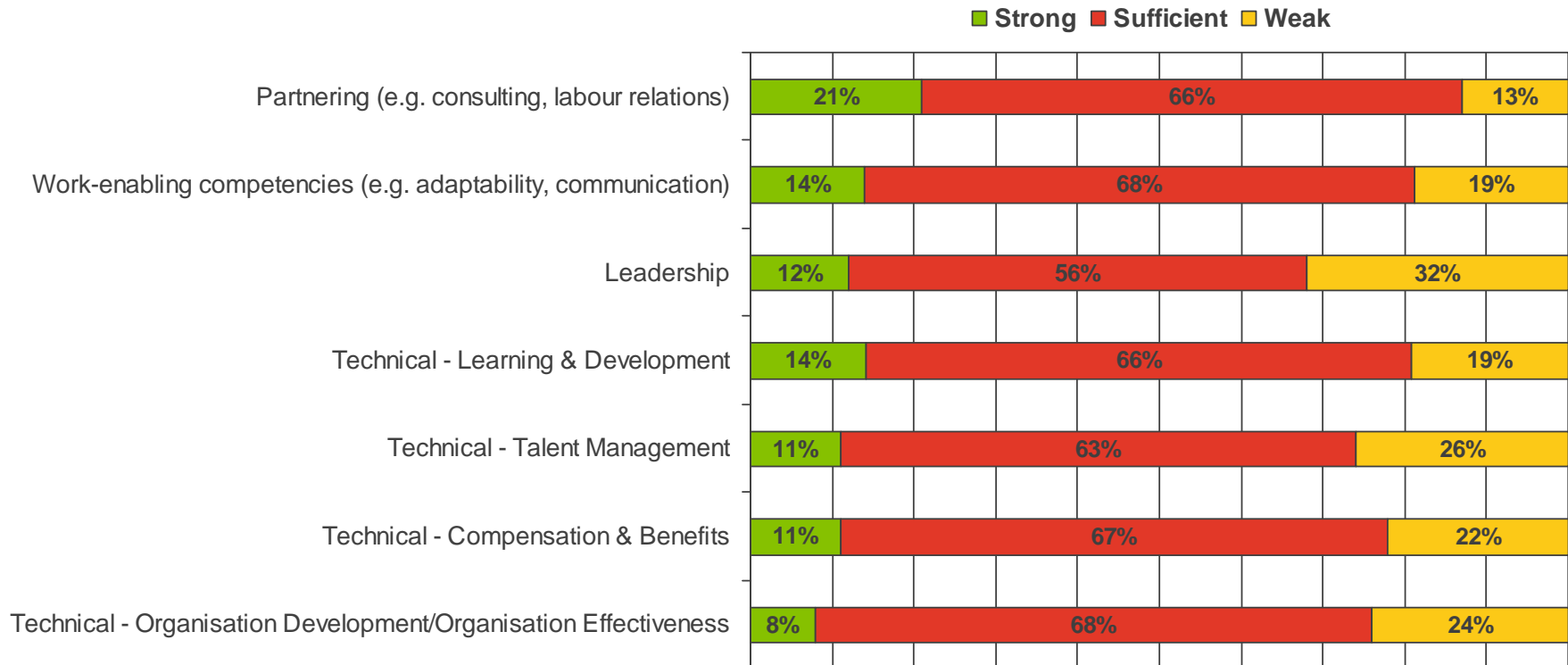
Barriers and opportunities to enhance HR's performance

Barriers
Capability of line managers in management of their people
Skills/competencies of HR staff
Cost constraints
Business perception of value which HR can bring
Attitudes of line management

Opportunities
Skills/competencies of HR staff
Business perception of value which HR can bring
Technology
HR functional leadership
Business leadership

- The business perception of the value which HR can bring to the organisation is both a barrier and opportunity
- While capability of line managers is seen as a barrier, HRs service delivery:
 - ✓ is reliant on managers influencing their employees &
 - ✓ is measured by “Employee satisfaction” which in turn relies on HR contribution & line management people capabilities
- Organisation wide financial constraints (increasing driver of HR transformation) is directly impacting internal HR performance management

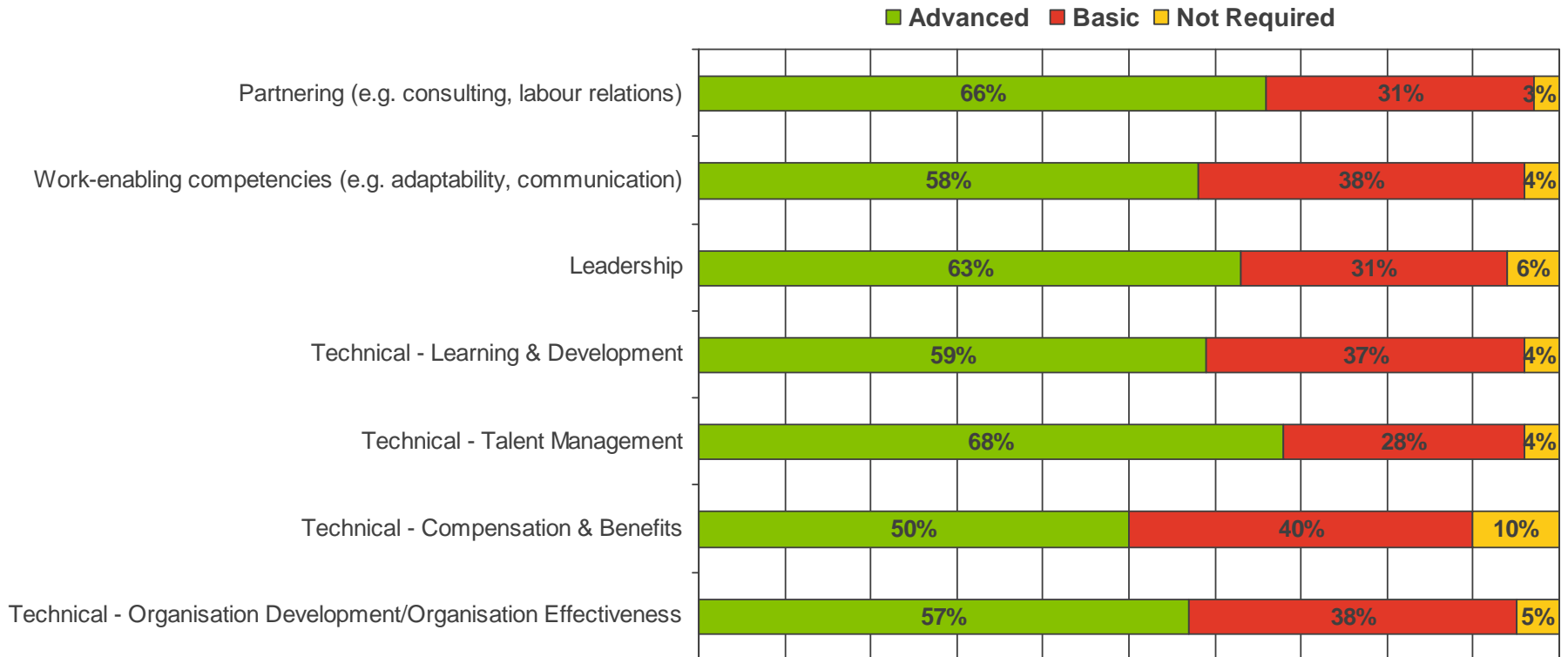
While enhancement of skills/competencies of HR staff are seen as a key opportunity most organisations believe they currently only have sufficient level of HR capabilities



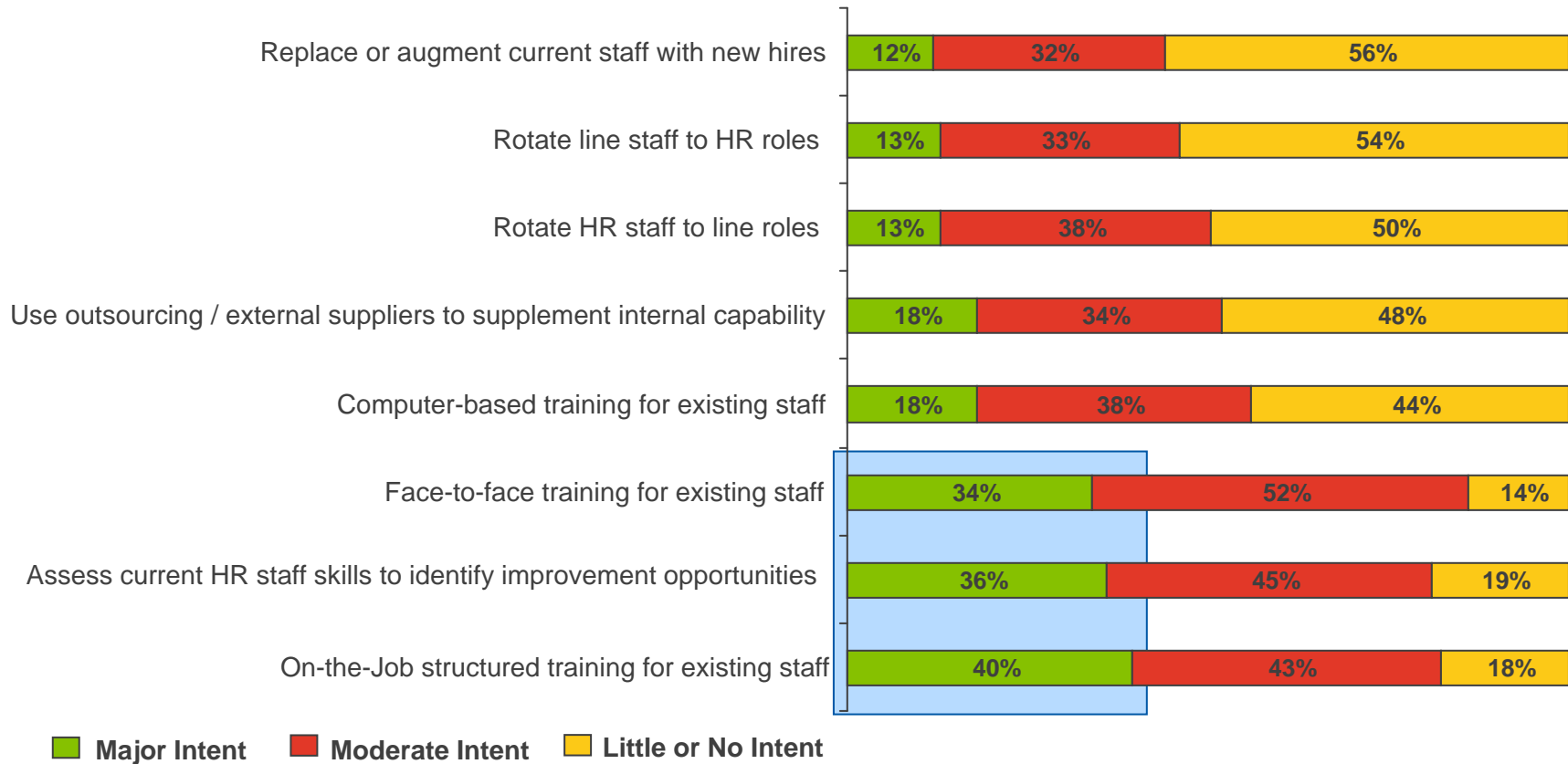
Top three weak areas are:

- Leadership
- Technical - Talent Management
- Technical – Organisation Development/Effectiveness

As HR looks in to the future and considers changing business perception of HRs value and its ability to influence the workforce, it forecasts a dramatic increase in capabilities required to achieve this goal



HRs capability development plans depict an internal focused desire to train existing HR staff



Three top plans to deal with HR capabilities are:

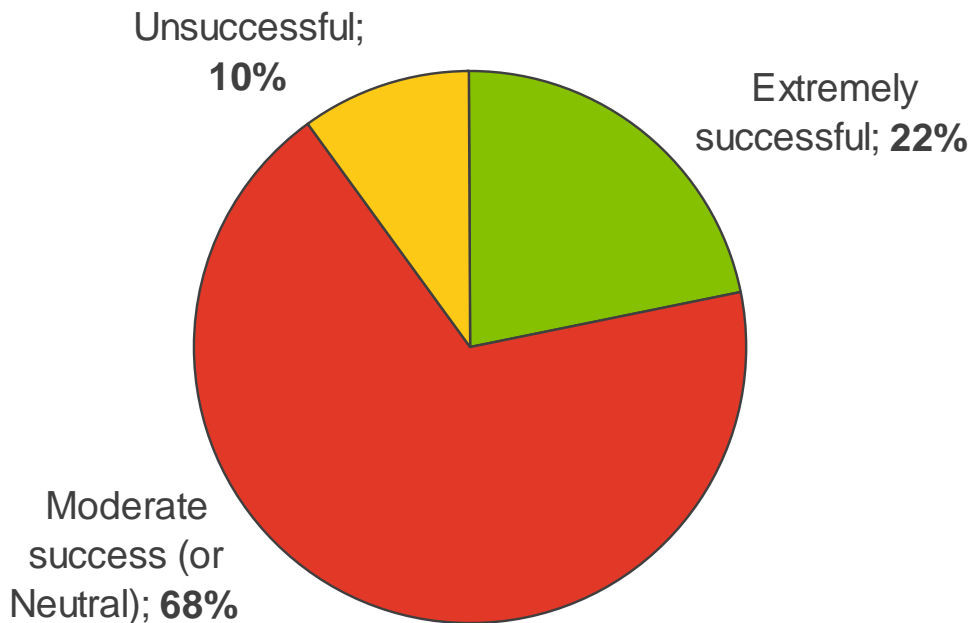
- On-the-Job structured training for existing staff
- Assess current HR staff skills to identify improvement opportunities
- Face-to-face training for existing staff

HR Technology initiatives in the last 3 years

HR Technology Initiatives	% of participants	
	2006	2010
Use of intranet for HR policies and processes	69%	51%
Extension of HR system in terms of increased coverage/functionality	49%	--
Implementation of HR system	46%	46%
Deployment to specific functional tools (e.g. recruitment), which are separate from but integrated with the core HR system	42%	46%
HR Portals for communications	--	36%
Use of employee self-service	37%	35%
Use of intranet for HR transactions	34%	21%
Use of manager self-service	33%	28%
Deployment of interim non-automated solutions	--	16%
Knowledge management system	--	13%
Use of case management technologies	8%	6%

More than $\frac{3}{4}$ of survey participants indicated that HR technology implementations did not entirely meet expectations, while the context of insufficient planning related to initial strategy, process or blueprinting was cited as the key grounds for not meeting expectations

Success of HR technology implementation



Main reasons cited for lack of success of technology implementation

Insufficient planning at the front-end

Functionality did not meet expectations

Limited collaboration between IT & HR

Poor implementation

HR managers continue to be involved in transactional work

Thank you for your participation

- Thanks to your participation, Mercer has a wealth of data to mine and continues to analyse the data from various angles
- We will further present our points of view in the webcast scheduled on 25 January 2011. Please join us on the webcast by registering at www.mercer.com/HRTransformationEMEA
- We will also publish a narrative report shortly and conduct a dedicated HR technology webcast later in Q1

Appendix

EMEA Country Segmentation

Western Europe

Portugal
Spain
France
United Kingdom
Ireland
Denmark
Netherlands
Italy
Belgium
Finland
Monaco
Norway
Sweden
Andorra
Germany
Luxembourg
Austria
Switzerland
Liechtenstein

Eastern Europe

Czech Republic
Poland
Russia
Hungary
Romania
Slovakia
Bulgaria
Greece
Turkey

Middle East & Africa

United Arab Emirates
Saudi Arabia
Bahrain
Oman
Qatar
Egypt
Kuwait
Jordan
Morocco
South Africa
Tunisia

MERCER