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The Hackett Group Research Alert

World-Class HR Organizations Spend 27 Percent Less, Operate with 24 Percent Fewer Staff

New Book of Numbers Research Details Elements of [HR Strategy](#)
That Help World-Class HR Organizations Achieve [Operational Excellence](#)

MIAMI & LONDON, January 31, 2013 – World-class HR organizations operate at 27 percent lower cost per employee than typical companies and also utilize 24 percent fewer staff, while still achieving higher effectiveness, according to new Book of Numbers™ research from [The Hackett Group](#), Inc. (NASDAQ: HCKT).

The Hackett Group's research detailed three important elements of [HR strategy](#) that drive [operational excellence](#) at world-class HR organizations: an emphasis on enhancing HR's operational excellence and helping the company achieve its strategic goals; a systematic, integrated approach to talent management; and an ability to create strong, strategic working relationships with the business.

"HR organizations today face significant challenges," explained The Hackett Group Global HR Transformation and Advisory Practice Leader Harry Osle. "While company revenues have risen by nearly 20 percent over the past three years, HR budgets and staffing have actually declined slightly. This has created a tremendous productivity gap that must be overcome. Our research shows not only that it is possible, but also explains precisely how world-class HR organizations manage to do more with less and play a key role in helping their companies succeed."

The Hackett Group's research findings are based on the latest [HR metrics](#) from detailed benchmarks executed at Global 1000 companies over the past two years. Hackett defines world-class as companies that achieve top-quartile performance across a weighted array of efficiency and effectiveness metrics.

The Hackett Group's research found that world-class HR organizations excel at [cost reduction](#), spending 27 percent less on HR services per employee than typical companies. They reduce labor costs, which represent more than half of total HR costs, by 29 percent, and also spend 50 percent less on outsourcing. At the same time they dedicate 25 percent greater spend to technology. Finally, world-class HR organizations operate with 24 percent fewer HR staff per 1,000 employees, including 31 percent fewer transactional staff and 20 percent fewer employee life cycle staff.

Operational Excellence

To achieve greater levels of [operational excellence](#), world-class HR organizations focus in four key areas. They make dramatically greater use of self-service for payroll, training, and total rewards administration and staffing services. Automation and standardization in these areas leads to higher-quality decision-making, which drives lower costs. In addition, they focus heavily on complexity reduction, utilizing nearly 70 percent fewer job grades, almost 40 percent fewer health and welfare plans, and over 40 percent fewer compensation plans. They have significantly flatter organizations, with more than 20 percent fewer managers that have greater spans of control, to streamline management, reduce costs, and speed up decision-making.

World-class organizations use [HR outsourcing](#) more effectively. While they outsource administrative activities at similar levels to typical companies, they retain significantly fewer in-house staff associated with these processes, reaping greater cost benefits from the outsourcing arrangement. Typical companies appear to make few internal changes after outsourcing, inhibiting cost and productivity advantages.

Integrated Talent Management

A second key to world-class HR performance is an increased focus on the development and performance of employees. World-class HR organizations dedicate a greater percentage of their total process costs to internal talent management, with a particular emphasis on strategic workforce planning, where they spend 15 percent more than typical companies and also allocate more staff. Their strategic workforce planning staff and skills mix are very different, suggesting more high-level consulting capabilities as well as more staff skilled in analytics and modeling.

Overall, world-class HR organizations are much more likely to pursue an integrated talent management approach than typical companies. They tightly integrate with business strategies and objectives, identifying skills that are needed by their company today and in the future, and often take a multi-year perspective that enables them to develop needed skills internally. World-class HR organizations have nearly twice the number of internal placements that typical companies have, and are also able to recruit staff externally much more quickly when necessary. Finally, they recognize the link between employee engagement and performance, and are far more rigorous in measuring it as well as providing people managers with the training and support they need to be effective.

True Business Partnership

The third differentiator of world-class HR organizations is their greater ability to align with business strategy. HR executives at world-class organizations have a seat at the table, and are universally involved in business planning. Less than half of typical companies make this same claim. Staff at world-class HR organizations are much more likely to be involved in activities requiring business-oriented skills, and HR staff overall are more engaged in managing and facilitating organizational change.

An increased focus on measurement and analytics is another way that world-class HR organizations partner with the business more effectively. While only 20 percent of typical HR organizations report metrics for HR-managed projects, world-class HR organizations do this over 3 times more often. Also close to 80 percent of world-class HR organizations report organizational metrics for change initiatives. This helps HR leadership build credibility with executive management.

According to The Hackett Group Senior Director of HR Advisory Nathalie Bression, "World-class HR organizations set themselves apart from the peer group by their commitment to operational excellence, their mastery of talent management, and their ability to act as true partners to the business. Achieving world-class performance isn't easy. But when a company's employees are truly in alignment with its current needs and long-term goals, the strategic benefit can be very real."

About The Hackett Group

[The Hackett Group](#) (NASDAQ: HCKT), a global strategic [business advisory](#) and operations improvement consulting firm, is a leader in best practice advisory, [business benchmarking](#), and transformation consulting services including strategy and operations, [working capital management](#), and globalization advice.

Utilizing best practices and implementation insights from more than 7,500 benchmarking studies, executives use The Hackett Group's empirically-based approach to quickly define and implement initiatives that enable world-class performance. Through its REL group, The Hackett Group offers working capital solutions focused on delivering significant cash flow improvements. Through its Archstone Consulting group, The Hackett Group offers Strategy & Operations consulting services in the Consumer and Industrial Products, Pharmaceutical, Manufacturing, and Financial Services industry sectors. Through its Hackett Technology Solutions group, The Hackett Group offers business application consulting services that help maximize returns on IT investments. The Hackett Group has completed benchmark studies with over 2,800 major corporations and government agencies, including 97% of the Dow Jones Industrials, 86% of the Fortune 100, 90% of the DAX 30 and 48% of the FTSE 100.

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