

# THE BUSINESS CASE FOR HR EXCELLENCE



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# INTRODUCTION

Human resources (HR) has been part of the U.S. workplace for over a century, with roots often traced back to World War I. Over time, HR has grown and evolved, becoming a central function in organizations of all sizes and across industries and sectors.<sup>1</sup> Yet the HR function of today looks markedly different from its early beginnings. HR now serves as a strategic partner, guiding organizations through a range of complex challenges, including a global pandemic, social and political unrest, economic uncertainty, labor market fluctuations, and the rapid acceleration of technological change.

Against this backdrop of expanding responsibility and rising complexity, HR leaders are navigating a particularly demanding landscape. According to SHRM's *CHRO Priorities and Perspectives* report, HR leaders and functions face increased financial pressure, accelerated technological transformation, a heightened need to maintain a skilled and motivated workforce, and the ongoing challenge of balancing short-term demands with long-term preparedness, among other stressors.<sup>2</sup>

## Underlying this demanding landscape are three pivotal challenges facing HR:

1. HR must measure and clearly demonstrate its value, impact, and return on investment (ROI) across key business outcomes. In an environment of rising talent costs and increasing financial pressures, HR leaders are expected to show how their function contributes to workforce productivity and overall business performance. Demonstrating this impact is essential to maintaining strategic influence and securing continued investment.
2. HR must strengthen its ability to compete for and retain top talent in an increasingly constrained labor market. Demographic trends and evolving skill requirements continue to fuel competition, making it essential to not only attract high-quality candidates but also to retain them by enhancing engagement, development opportunities, and career mobility.
3. HR must embrace the use of new technologies in an ethical and efficient way, helping to drive technological transformation both within HR and across the organization.

Recognizing these challenges and the resulting demands on HR to deliver more strategic and measurable value, SHRM launched a research initiative aimed at answering an essential question:

**What must the HR function of the future look like to maximize its impact, value, and ability to drive measurable business outcomes?**

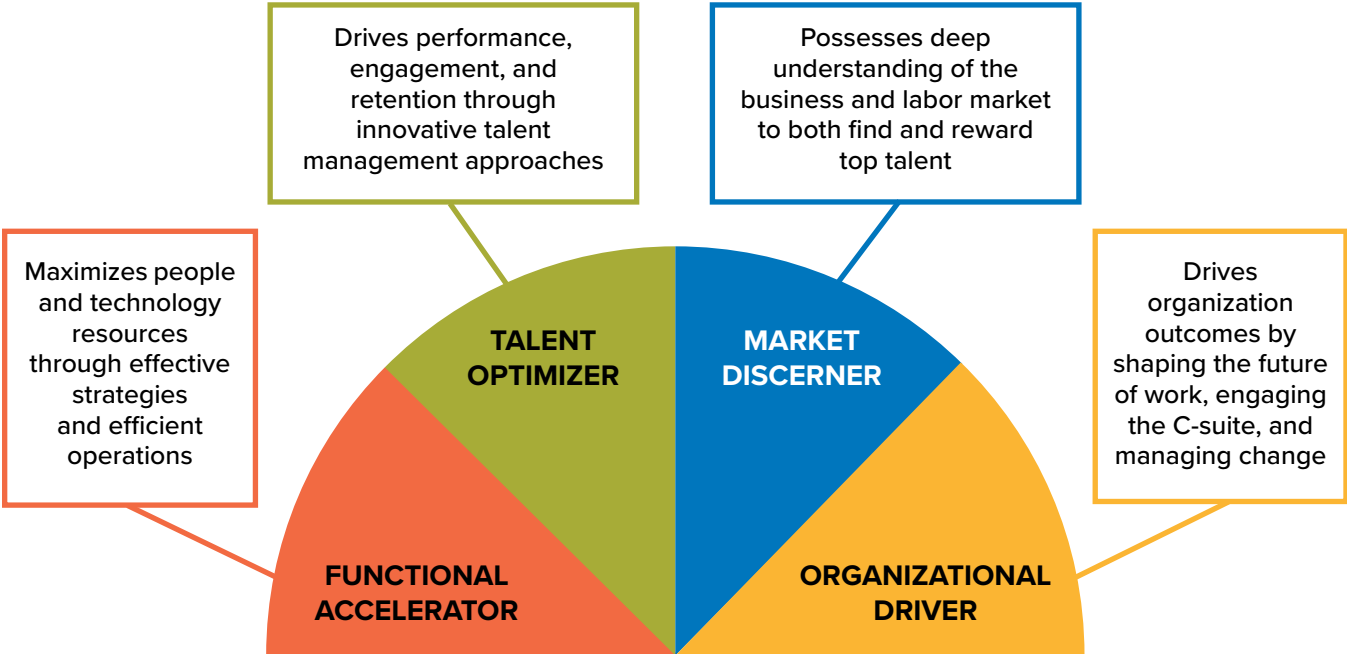
<sup>1</sup>[How We Got Here: The 75-Year Evolution of SHRM and HR, SHRM, Dec. 14, 2023.](#)

<sup>2</sup>[CHRO Priorities and Perspectives, SHRM, 2025.](#)

# THE HR-X FRAMEWORK

The first step in answering this critical question was to establish a foundational framework that defines the HR function itself. To that end, SHRM Thought Leadership undertook a comprehensive review of the HR function and developed the HR Excellence (HR-X) Framework.

The HR-X Framework was developed through extensive research to define and organize the wide scope of HR's responsibilities. It provides a structured approach to understanding the essential components of HR in today's organizations. The framework is built around four overarching dimensions, 16 core practice areas, and more than 70 subpractice areas, forming a comprehensive taxonomy that captures how HR supports and drives organizational success.



Each practice area was evaluated using rigorous criteria, including its relevance as a primary function of HR, its significance as a budgetary focus, and its impact on advancing organizational goals. Together, the four dimensions — Functional Accelerator, Talent Optimizer, Market Discerner, and Organizational Driver — categorize and organize the full scope of HR's responsibilities in organizations today. The table on the next page provides an overview of each dimension and its associated practice areas.





Dimension and Practice Area	Definition
<b>Functional Accelerator</b>	<b>Maximizes people and technology resources through effective strategies and efficient operations</b>
HR function strategy and management	Aligning HR practices with business goals to drive organizational success
HR technology	Strategic use of digital tools and platforms designed to enhance HR processes, streamline operations, and/or improve worker experiences
<b>Talent Optimizer</b>	<b>Drives performance, engagement, and retention through innovative talent management approaches</b>
Leadership and manager development	Enhancing skills for guiding teams and managing organizations effectively
Learning and development (L&D)	Training and resources to foster worker growth and development
Performance management	Process of aligning individual objectives with organizational goals to optimize worker and organizational success
Employee experience	Holistic approach to enhancing workforce engagement, productivity, and satisfaction
Inclusion and diversity (I&D)	Fostering an inclusive environment that leverages diverse perspectives to enhance organizational success
Talent analytics	Data-driven insights to inform workforce planning and optimize performance
Talent management	Comprehensive integration of HR processes for recruiting, developing, and retaining talent to support organizational goals
Labor and employee relations	Managing workplace dynamics and/or ensuring compliance with labor laws to foster a harmonious and legally sound work environment
<b>Market Discerner</b>	<b>Possesses deep understanding of the business and labor market to both find and reward top talent</b>
Total rewards	Comprehensive compensation and benefits strategies to attract, retain, and engage talent
Recruiting	Attracting and selecting talent to meet organizational needs
<b>Organizational Driver</b>	<b>Drives organization outcomes by shaping the future of work, engaging the C-suite, and managing change</b>
C-suite/Board relations	Fostering effective communication and strategic alignment between executives and board members to enhance governance and decision-making
ESG, ethics, and compliance	Strategic integration of ethical practices and compliance measures to advance sustainability and governance objectives
Future of work	Adapting work models and transforming workplace dynamics to enhance organizational agility and innovation
Organization design and change management	Aligning organizational structures and processes with strategic goals to enhance adaptability and performance

# HR MATURITY MODEL

Building on the HR-X Framework, SHRM developed a detailed and comprehensive HR Maturity Model to provide HR with actionable insights into the function's effectiveness. This model evaluates what low, average, and high HR maturity looks like across the four dimensions, 16 practice areas, and over 70 subpractice areas. Maturity statements describing HR organizational maturity for the four dimensions are displayed below:

- » **Functional Accelerator:** High-maturity HR functions showcase advanced HR function strategy and management capabilities while integrating HR technology strategically and optimizing resources to achieve measurable ROI. These organizations prioritize effective user adoption strategies and deliberate, forward-looking planning. Low- and average-maturity organizations frequently approach these areas with insufficient planning or alignment to overarching business objectives.
- » **Talent Optimizer:** High-maturity HR functions take a structured and proactive approach to key talent-related areas, such as labor and employee relations, employee experience, performance management, inclusion and diversity, leadership and manager development, talent management, learning and development, and talent analytics. For example, these organizations often implement data-driven leadership programs and create personalized strategies for engagement and development that align closely with business goals. In contrast, low- and average-maturity HR functions have limited processes in these areas. These organizations may handle leadership development on an informal or reactive basis, while employee experience efforts might lack a cohesive strategy.
- » **Market Discerner:** High-maturity HR functions adopt advanced technologies and data-driven strategies, enabling them to align recruitment and compensation practices with both market demands and workforce expectations. In contrast, low- and average-maturity HR functions face challenges in structuring their recruiting and total rewards processes. Workforce preference analyses and other metric tracking may be inconsistent or underutilized, leading to a more reactive approach.
- » **Organizational Driver:** High-maturity HR functions foster closely aligned relationships with leadership, adopt strategic organizational design practices, and proactively address emerging trends. Low- and average-maturity organizations display limited engagement with critical areas tied to key organizational processes, such as ESG, ethics, and compliance; organization design and change management; C-suite/Board relations; and the future of work. For example, C-suite/Board relations are characterized in these organizations by reactive and infrequent communication, with HR operating in isolation and with limited financial awareness.

In summary, organizations performing at high HR function maturity excel in aligning HR strategies with business goals, leveraging advanced technologies, and delivering proactive solutions to address talent needs. Organizations at average or low HR function maturity levels often operate with foundational processes that are functional but may lack strong alignment with broader organizational goals. These functions typically rely on traditional processes, resources, and reactive strategies, often addressing challenges as they arise more frequently than proactively planning for them.



# RESEARCH OVERVIEW

Following the development of the HR-X Framework and HR Maturity Model, SHRM developed a 95-item assessment to evaluate the maturity of HR functions across dimensions, practice areas, and subpractice areas. Assessment items were developed using HR Maturity Model descriptions to ensure they measure an organization's position relative to high maturity for each topic.

With this assessment established, SHRM launched an extensive research study aimed at answering two vital questions:

- » Overall, how mature is the HR function?
- » How does HR maturity drive key business outcomes?

The research drew from two distinct, yet complementary, data sources to provide a comprehensive view of HR maturity.

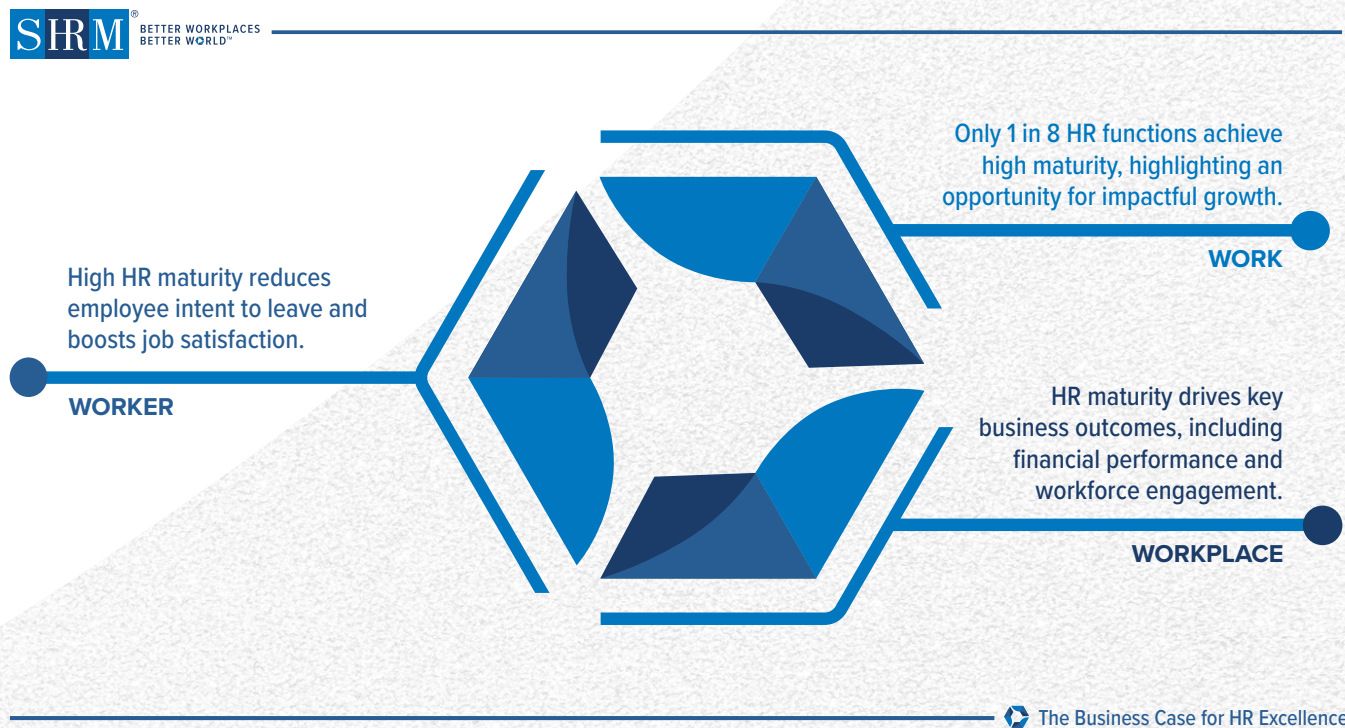
First, SHRM collected organizational and functional data from 1,287 HR leaders, each representing a unique organization with at least 50 workers. This sample involved HR professionals at the director level or higher, ensuring that participants had the expertise and strategic insight needed to address the connection between HR strategies and broader business objectives.



Second, to broaden the understanding of HR maturity’s impact, SHRM also surveyed 2,003 U.S.-based workers employed at organizations with at least 50 workers. These participants, who did not hold HR positions, offered a valuable workforce perspective on how HR maturity affects their day-to-day experiences. The worker sample was carefully balanced using benchmarks from the U.S. Bureau of Labor Statistics to ensure representation across gender, race/ethnicity, age, and employment status.

Together, insights from both groups allowed SHRM to examine HR maturity and its relationship with key business outcomes such as financial performance, productivity, turnover rates, turnover intention, and worker engagement, offering a detailed and comprehensive understanding of HR’s impact at both the organizational and workforce levels.

These findings provide HR leaders and professionals with valuable insights into how a highly mature HR function drives organizational success. Additionally, the research offers data-driven recommendations and actionable steps for HR functions seeking to advance their maturity and strengthen their impact on these critical business objectives.



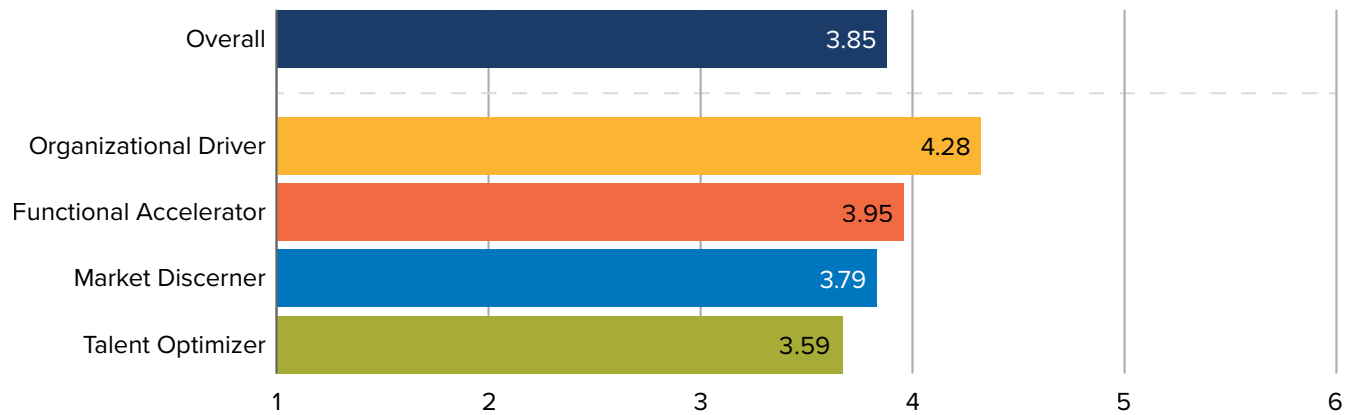


# MOST ORGANIZATIONS EXHIBIT MODEST HR MATURITY, INDICATING STRONG FOUNDATIONS WHILE HIGHLIGHTING OPPORTUNITIES FOR GROWTH

The results of SHRM’s HR-X Assessment provide key insights into the current state of HR maturity in organizations today. With an average overall maturity score of 3.85 out of 6 — indicating a modest level of maturity — organizations demonstrate solid foundational capabilities while still showing there is significant room to advance toward best-in-class HR practices.

Across the four HR-X dimensions, HR leaders rated Organizational Driver as the most mature dimension (4.28), followed by Functional Accelerator (3.95), Market Discerner (3.79), and Talent Optimizer (3.59). These insights set the stage for a deeper exploration of how HR maturity influences critical business outcomes, offering a road map for HR leaders to elevate their strategic impact.

## Average Assessment Scores — Overall and by Dimension



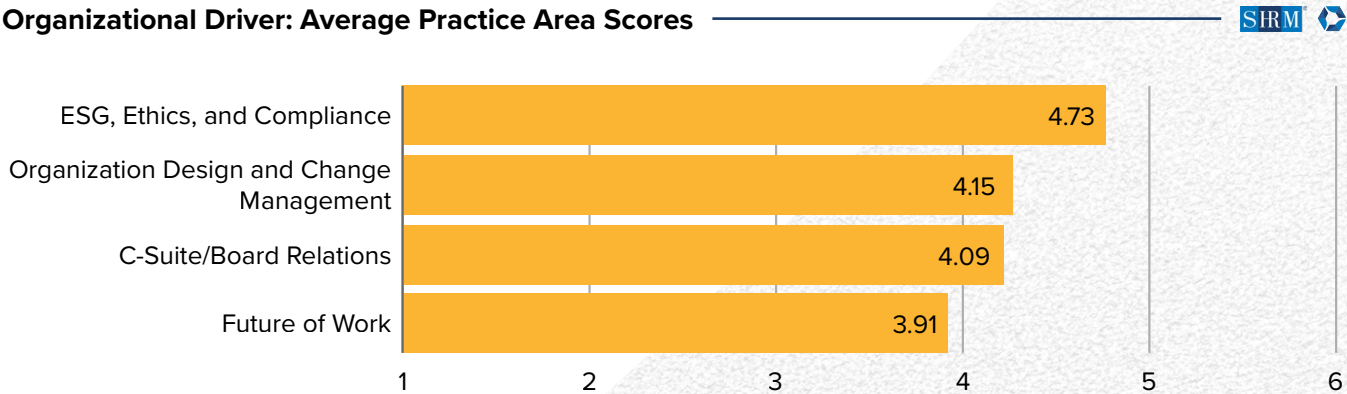
**SOURCE: THE BUSINESS CASE FOR HR EXCELLENCE, SHRM, 2025. VISIT [SHRM.ORG/RESEARCH](https://www.shrm.org/research) TO LEARN MORE.**

*Average maturity assessment scores on each HR-X dimension as rated by HR professionals who are a director or higher and work at an organization with at least 50 employees. Results are based on 1,223 valid responses for Organizational Driver, 1,257 for Functional Accelerator, 1,273 for Market Discerner, and 1,186 for Talent Optimizer.*



# ESG, ETHICS, AND COMPLIANCE IS THE HIGHEST-RATED ORGANIZATIONAL DRIVER PRACTICE AREA

The Organizational Driver dimension achieved the highest average score at 4.28, with ESG, Ethics, and Compliance emerging as the top-rated practice area. This highest-rated practice area underlines the critical importance of maintaining legal and ethical standards. Subpar performance in compliance and ethics can lead to significant legal and reputational risks for organizations, making excellence in these areas a fundamental requirement. The high average score in this practice area underscores the essential role it plays in safeguarding organizational integrity and success.

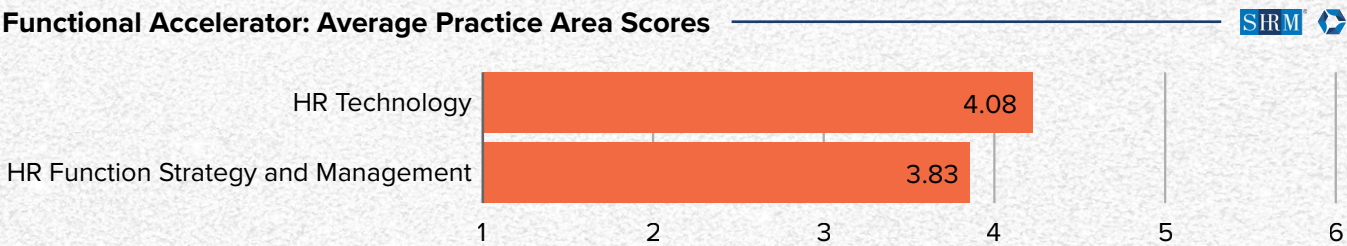


SOURCE: THE BUSINESS CASE FOR HR EXCELLENCE, SHRM, 2025. VISIT [SHRM.ORG/RESEARCH](https://www.shrm.org/research) TO LEARN MORE.

Average maturity assessment scores for each practice area within the Organizational Driver dimension. The number of HR raters range from 1,252 (Future of Work) to 1,278 (ESG, Ethics, and Compliance).

# HR TECHNOLOGY IS THE HIGHEST-RATED FUNCTIONAL ACCELERATOR PRACTICE AREA

The Functional Accelerator dimension ranked as the second-highest, with an average of 3.95. While HR Technology slightly outpaced HR Function Strategy and Management with a score of 4.08 versus 3.83, the proximity of these scores emphasizes their shared importance. Achieving high maturity in the HR Function Strategy and Management and HR Technology practice areas presents unique challenges, particularly in aligning both areas with organizational goals.



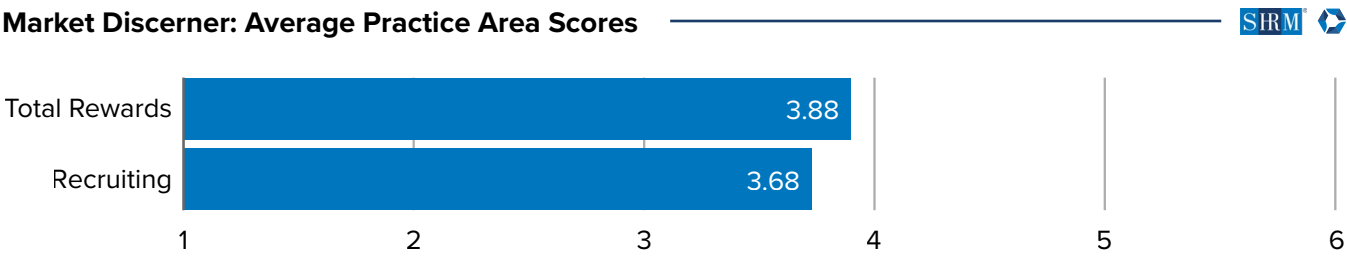
SOURCE: THE BUSINESS CASE FOR HR EXCELLENCE, SHRM, 2025. VISIT [SHRM.ORG/RESEARCH](https://www.shrm.org/research) TO LEARN MORE.

Average maturity assessment scores for each practice area within the Functional Accelerator dimension. The number of HR raters is 1,262 for HR Technology and 1,277 for HR Function Strategy and Management.



# TOTAL REWARDS IS THE HIGHEST-RATED MARKET DISCERNER PRACTICE AREA

The Market Discerner dimension ranked as the third-highest dimension with an average score of 3.79. Within this dimension, Total Rewards emerged as the top-rated practice area at 3.88, surpassing Recruiting, which scored 3.68. These results suggest that HR leaders see their function’s capacity to design and deliver competitive and equitable compensation and benefits as slightly more advanced than their ability to source, attract, and onboard talent. Both areas are critical to organizational success, however, and these scores indicate opportunities to enhance compensation and benefits programs along with recruiting practices.



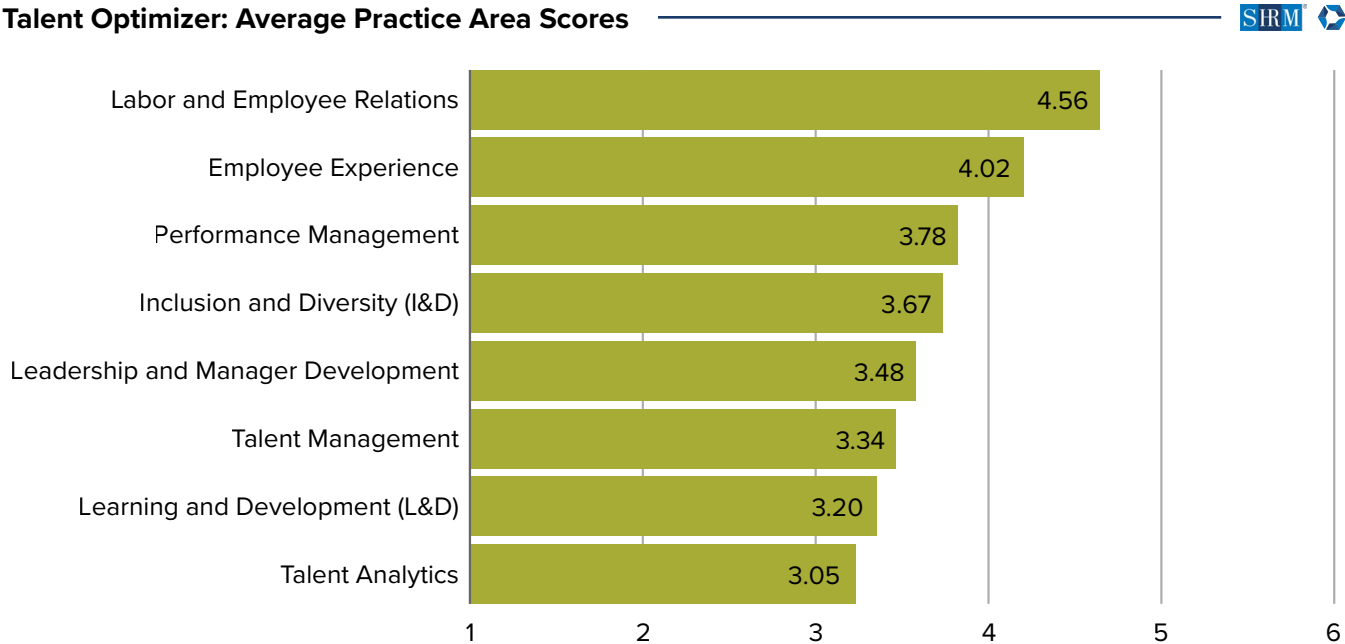
**SOURCE: THE BUSINESS CASE FOR HR EXCELLENCE, SHRM, 2025. VISIT [SHRM.ORG/RESEARCH](https://www.shrm.org/research) TO LEARN MORE.**

*Average maturity assessment scores for each practice area within the Market Discerner dimension. The number of HR raters is 1,279 for Total Rewards and 1,279 for Recruiting.*



# LABOR AND EMPLOYEE RELATIONS IS THE HIGHEST-RATED TALENT OPTIMIZER PRACTICE AREA

The Talent Optimizer dimension received the lowest average score at 3.59. The leading practice area within this dimension is Labor and Employee Relations, achieving an average score of 4.56. This result is likely driven by the critical legal implications tied to labor relations, particularly for organizations with collective bargaining agreements with labor groups. However, most other practice areas within this dimension had below-average maturity scores, signaling opportunities for improvement. Notably, the Leadership and Manager Development practice area, identified by more than half of CHROs as a top priority for 2025,<sup>3</sup> scored below the overall average score and ranked in the middle of maturity ratings for this dimension.



**SOURCE: THE BUSINESS CASE FOR HR EXCELLENCE, SHRM, 2025. VISIT [SHRM.ORG/RESEARCH](https://www.shrm.org/research) TO LEARN MORE.**

*Average maturity assessment scores for each practice area within the Talent Optimizer dimension. The number of HR raters ranges from 1,236 (Talent Analytics) to 1,284 (Leadership and Manager Development).*

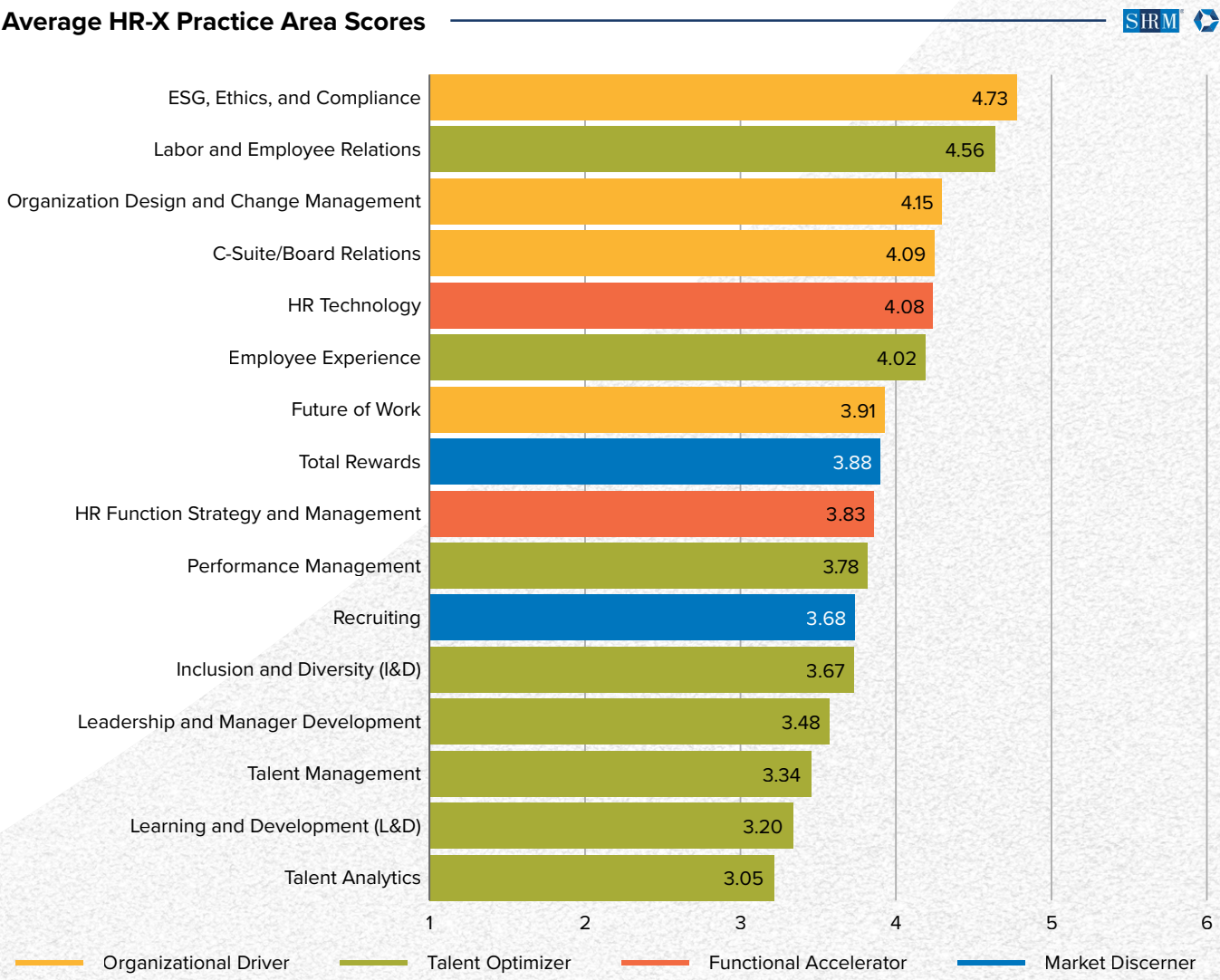


<sup>3</sup>[CHRO Priorities and Perspectives, SHRM, 2025.](#)



# ACROSS ALL PRACTICE AREAS, LEGAL-IMPACTED DOMAINS SCORED HIGHEST

Across all 16 practice areas, the highest-rated were ESG, Ethics, and Compliance (4.73) and Labor and Employee Relations (4.56), driven by their critical implications for organizational stability. Lower-rated areas, such as Learning and Development (3.20) and Talent Analytics (3.05), signify persistent challenges, despite their importance in driving long-term organizational success.



SOURCE: THE BUSINESS CASE FOR HR EXCELLENCE, SHRM, 2025. VISIT [SHRM.ORG/RESEARCH](https://www.shrm.org/research) TO LEARN MORE.

Average maturity assessment scores for each practice area across all HR-X dimensions. The number of HR raters ranges from 1,236 (Talent Analytics) to 1,284 (Leadership and Manager Development).



# FROM SCORES TO LEVELS: INTERPRETING HR MATURITY

Recognizing that average maturity scores can be difficult to interpret and contextualize on their own, SHRM established clear thresholds to indicate where organizations fall along the maturity spectrum. These categories — high, average, and low maturity — offer a more intuitive way to assess HR’s current performance and identify areas for growth. Based on assessment and survey data, the thresholds are:

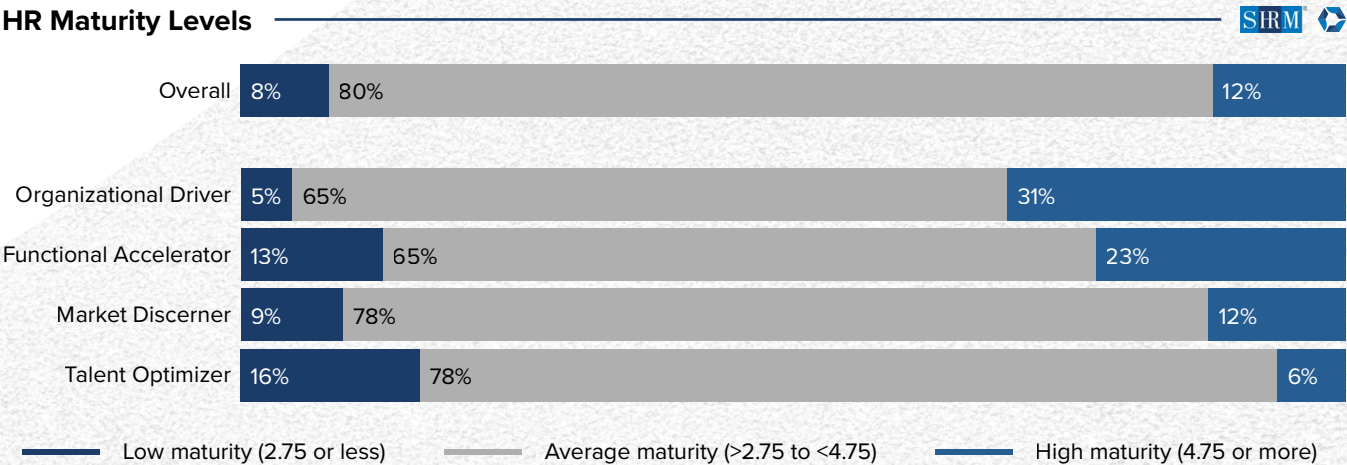
- » High maturity: 4.75 or above
- » Average maturity: More than 2.75 and less than 4.75
- » Low maturity: 2.75 or below

This framework brings greater clarity to the data and helps HR leaders better understand their organization’s level of maturity.

## ONLY 1 IN 8 HR FUNCTIONS ACHIEVE HIGH MATURITY

Based on these identified thresholds, the analysis revealed that only 1 in 8 HR functions (12%) achieve high maturity, meaning HR at their organizations operates at a high level. Roughly 1 in 12 HR functions (8%) fall into the low-maturity categorization. Most organizations (80%) are classified as average maturity.

Nearly one-third of HR functions (31%) achieve high maturity in the Organizational Driver dimension, which is the highest-scoring dimension overall. However, the Talent Optimizer dimension lagged substantially, with only 6% of HR functions achieving high maturity. Viewed through this lens, maturity levels reveal not just where HR is most mature, but also where advancing maturity may be more complex and challenging. These patterns indicate key opportunities for growth and signal where targeted investment can help HR functions expand their strategic influence and impact.



**SOURCE: THE BUSINESS CASE FOR HR EXCELLENCE, SHRM, 2025. VISIT [SHRM.ORG/RESEARCH](https://www.shrm.org/research) TO LEARN MORE.**

*Overall HR maturity results based on 1,153 responses from HR professionals who are a director or higher and work at an organization with at least 50 employees. Results for Organizational Driver based on 1,223 responses, 1,257 for Functional Accelerator, 1,273 for Market Discerner, and 1,186 for Talent Optimizer.*



# HR MATURITY DRIVES POSITIVE ORGANIZATIONAL OUTCOMES

The research shows that only 1 in 8 HR functions operate at a high level of maturity, highlighting significant opportunities for most organizations to enhance HR maturity. Making meaningful progress requires focused effort, dedicated resources, and close collaboration with key leaders throughout the organization. Given that resources are often limited, it's crucial for HR leaders to clearly demonstrate the strong return on investment that comes with advancing HR maturity.

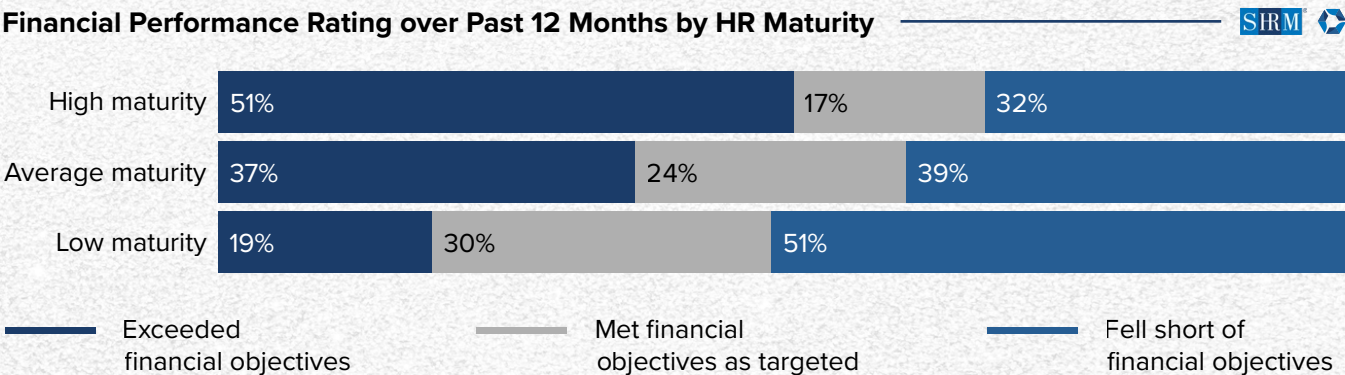
To better understand these connections, SHRM analyzed how HR maturity relates to key business outcomes, focusing on:

- 1. Financial performance
- 2. Retention
- 3. Worker engagement and organizational culture

The findings presented in this report confirm the critical role HR maturity plays in driving key business outcomes, underscoring the valuable contributions of HR to organizational success.

## HIGH HR MATURITY IS ASSOCIATED WITH IMPROVED RATINGS OF FINANCIAL PERFORMANCE IN THE PAST YEAR

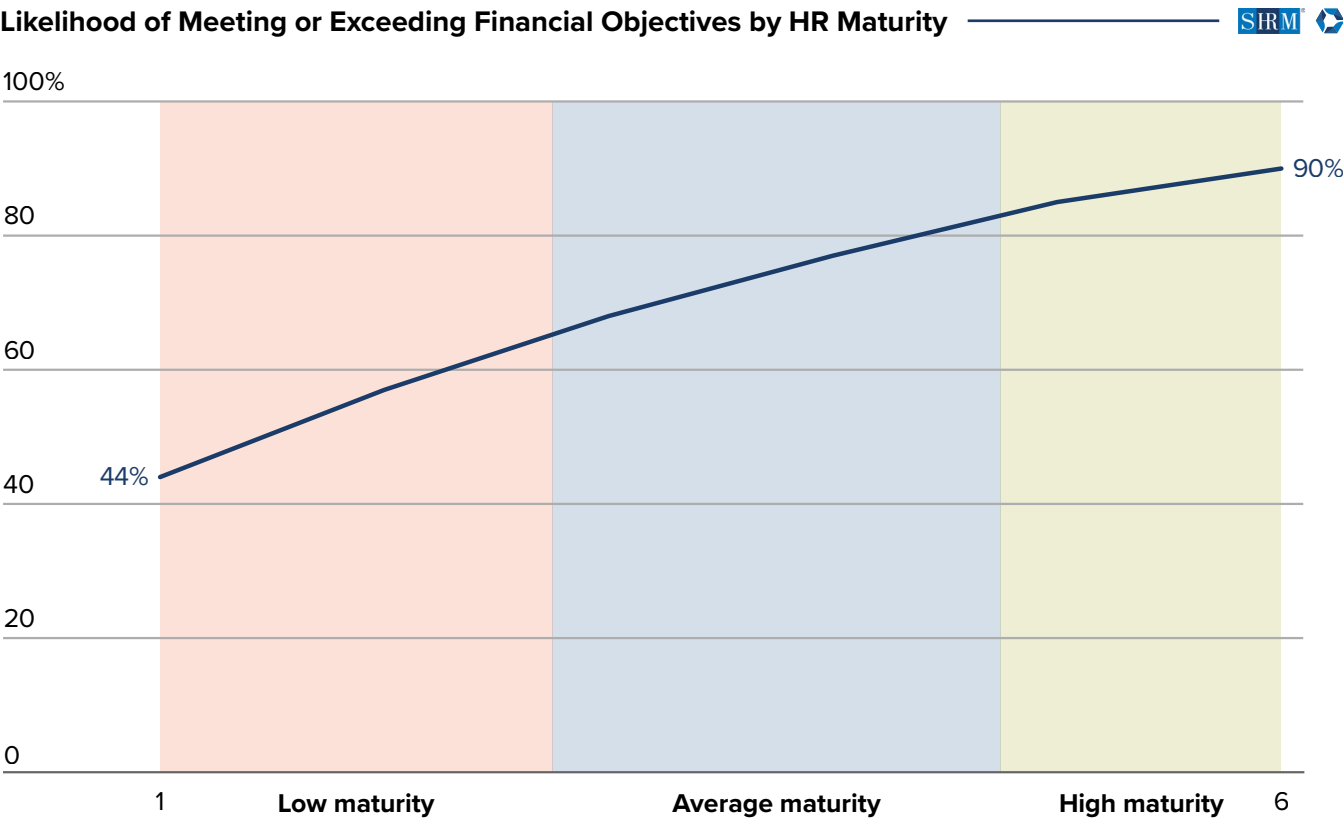
HR leaders at organizations with high HR maturity were most likely to report that their organization exceeded financial objectives over the past year, with over half (51%) doing so. In contrast, more than one-third (37%) of HR professionals at average-maturity organizations and less than 1 in 5 (19%) at low-maturity organizations reported that their organization exceeded their financial goals. Those at low-maturity organizations were the most likely to report having missed financial objectives in the past year, with more than half (51%) of these HR leaders reporting their company fell short of financial objectives.



SOURCE: THE BUSINESS CASE FOR HR EXCELLENCE, SHRM, 2025. VISIT [SHRM.ORG/RESEARCH](https://www.shrm.org/research) TO LEARN MORE.

To quantify the relationship between HR maturity and financial performance ratings, a logistic regression analysis was conducted, revealing that higher HR maturity significantly increases the likelihood that HR professionals rate their organization as having met or exceeded financial objectives.

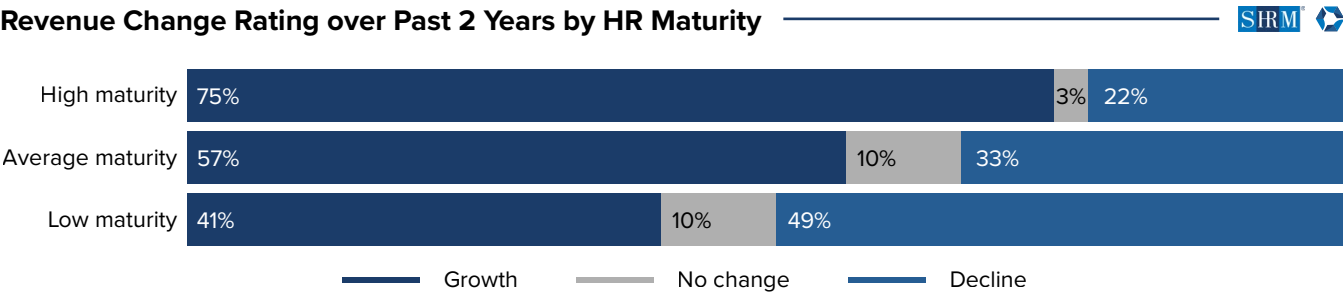
- » Organizations with an HR maturity score of 1 have a 44% chance of meeting or exceeding their financial objectives. That number climbs to 90% at a maturity score of 6.



SOURCE: THE BUSINESS CASE FOR HR EXCELLENCE, SHRM, 2025. VISIT [SHRM.ORG/RESEARCH](https://www.shrm.org/research) TO LEARN MORE.

## HIGH HR MATURITY IS ASSOCIATED WITH IMPROVED RATINGS OF REVENUE GROWTH OVER PAST 2 YEARS

HR leaders at high-maturity organizations were most likely to report revenue growth over the past two years, with three-quarters (75%) doing so. In contrast, slightly over half of those (57%) at average-maturity organizations and roughly 2 in 5 (41%) at low-maturity organizations reported financial growth.

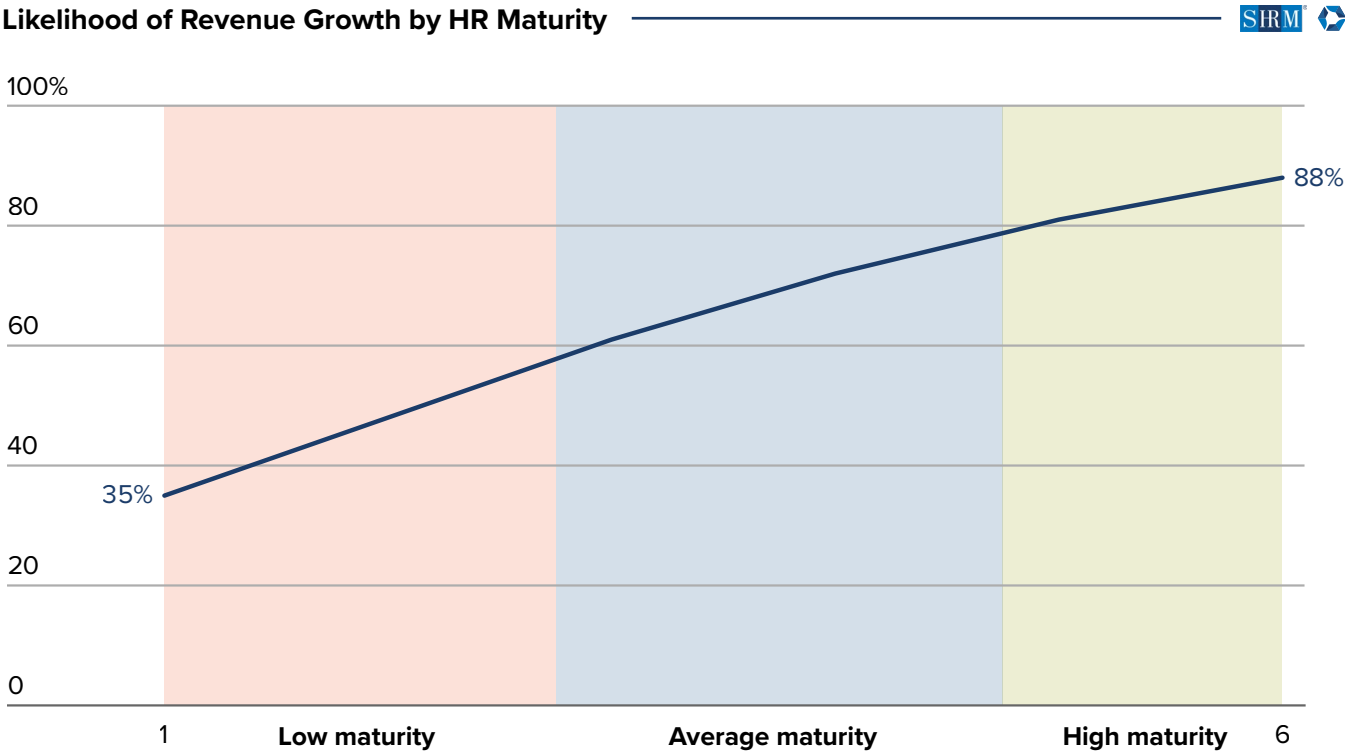


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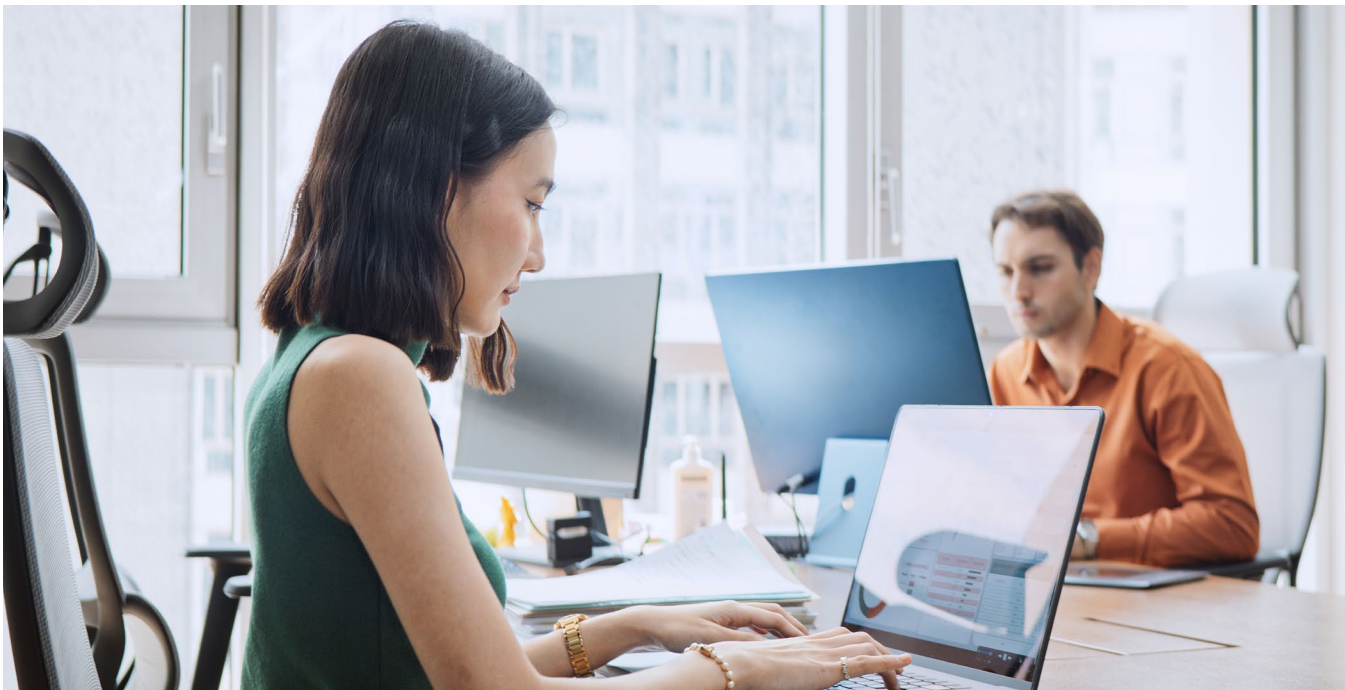


To quantify the relationship between HR maturity and reports of revenue growth, a logistic regression analysis was conducted, revealing that higher HR maturity significantly increases the likelihood that HR professionals report revenue growth.

- » Organizations with an HR maturity score of 1 have a 35% chance of having experienced revenue growth over the past two years. That number climbs to 88% at a maturity score of 6.



SOURCE: THE BUSINESS CASE FOR HR EXCELLENCE, 2025. VISIT [SHRM.ORG/RESEARCH](https://www.shrm.org/research) TO LEARN MORE.



# HIGH HR MATURITY IS ASSOCIATED WITH GREATER REVENUE PER FTE

Revenue per full-time equivalent (FTE) is one metric used by organizations for assessing workforce efficiency and productivity. Considering an organization’s annual revenue, it reflects the amount of revenue generated by each worker, offering valuable insight into how effectively a company leverages its workforce to achieve financial success.

To explore the relationship between HR maturity and revenue per FTE, a linear regression analysis was conducted. The results show that each 1-unit increase in HR maturity is associated with an increase of approximately \$62,000 in revenue per FTE. This relationship remains significant even after accounting for organizational factors such as size, industry, and sector. Put simply, these results suggest that the relationship between HR maturity and revenue per FTE is robust across a range of organizational contexts.

When applied to entire organizations, these results can have major financial implications. For example, consider the following hypothetical scenario comparing two companies with identical characteristics, where the only difference between the two is their HR maturity ratings.

Company Characteristic	Company A	Company B
Organization size	1,000 workers	1,000 workers
Industry	Manufacturing	Manufacturing
Sector	For-profit	For-profit
HR Maturity	5.0 (High maturity)	4.0 (High maturity)
Predicted Revenue per FTE	\$416,323	\$354,319

Based on HR maturity ratings alone, individual workers at Company A generate approximately \$62,000 more revenue than workers at Company B, as previously shown. However, across the entire workforce, these differences quickly reveal significant revenue implications between companies.

Company Characteristic	Company A	Company B
HR Maturity	5.0 (High maturity)	4.0 (High maturity)
Predicted Annual Revenue	\$416,323,000	\$354,319,000

When scaled to these workforces, Company A is projected to earn approximately **\$62 million more in annual revenue** than Company B — driven by a 1-unit increase in HR maturity between similar organizations. While this hypothetical example is just one of many possibilities, these differences highlight the profound impact HR can have on an organization’s bottom line and financial objectives.



## FINANCIAL PERFORMANCE: KEY TAKEAWAYS

Organizations with high HR maturity demonstrate superior financial outcomes, revenue growth, and workforce productivity. These findings underscore the transformative impact of advanced HR practices on achieving business success and maximizing organizational value.

- » **High HR Maturity Drives Financial Performance:** Organizations with higher HR maturity are far more likely to surpass financial objectives, with the likelihood of financial success increasing from 44% at low maturity to 90% at the highest maturity level. This demonstrates the critical role HR maturity plays in achieving strong financial outcomes.
- » **High HR Maturity Fuels Revenue Growth:** Companies with high HR maturity are significantly more likely to experience revenue growth, with the probability rising from 35% at low maturity to 88% at the highest level. This highlights the direct link between advanced HR practices and sustained financial growth.
- » **High HR Maturity Boosts Workforce Productivity:** Advancing HR maturity leads to substantial increases in revenue per full-time equivalent (FTE), with about \$62,000 gained per worker for every 1-unit improvement in maturity. When scaled across the workforce, this could translate into millions of dollars in additional revenue driven by HR maturity and performance alone. These results point to the significant financial returns that could result when HR function investments result in high HR maturity for an organization.

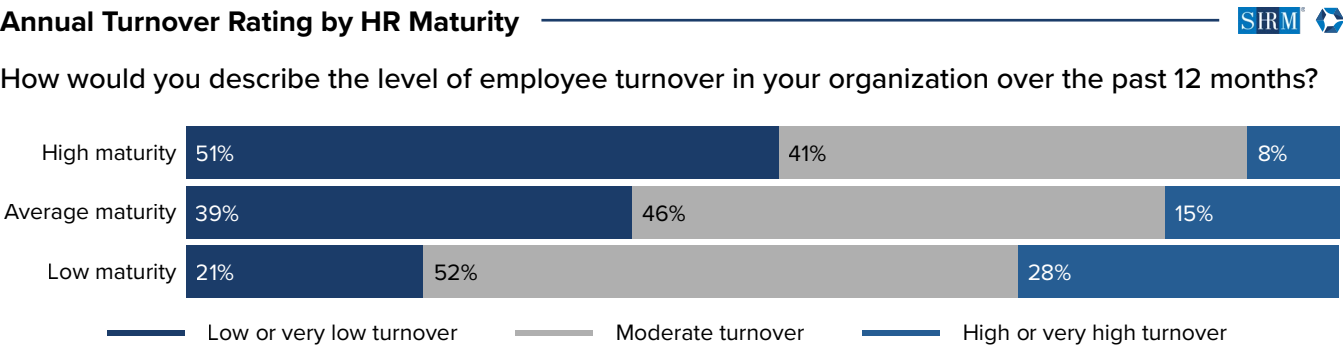


# HIGH HR MATURITY PROPELS WORKER RETENTION

Worker retention remains a critical priority for organizations striving to maintain a stable and engaged workforce. An organization’s ability to retain talent is deeply intertwined with the maturity of its HR function, as advanced HR capabilities create environments where workers feel valued and supported. By aligning HR strategies with worker needs and organizational objectives, high HR maturity not only reduces turnover but also enhances overall workforce satisfaction and loyalty.

## HIGH HR MATURITY IS ASSOCIATED WITH LOWER LEVELS OF EMPLOYEE TURNOVER

HR professionals at high-maturity organizations were most likely to report low worker turnover, with over half (51%) reporting low or very low turnover in the past 12 months. In contrast, about 2 in 5 HR professionals (39%) at average-maturity organizations and 1 in 5 at low-maturity organizations (21%) report low or very low turnover.



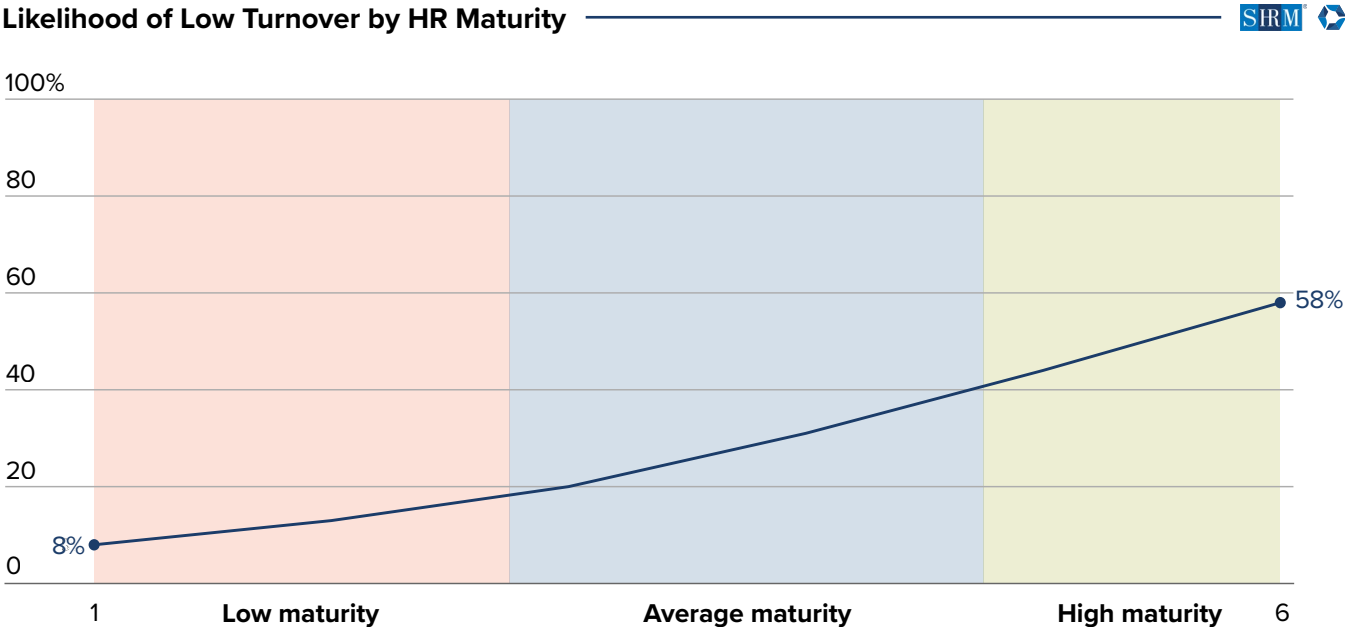
SOURCE: THE BUSINESS CASE FOR HR EXCELLENCE, SHRM, 2025. VISIT [SHRM.ORG/RESEARCH](https://www.shrm.org/research) TO LEARN MORE.





To quantify the relationship between HR maturity and annual turnover ratings, a logistic regression analysis was conducted, revealing that higher HR maturity significantly increases the likelihood that HR professionals rate their organization as having low or very turnover.

» Organizations with an HR maturity score of 1 have an 8% chance of reporting low turnover over the past year. This likelihood increases to 58% at a maturity score of 6.



SOURCE: THE BUSINESS CASE FOR HR EXCELLENCE, SHRM, 2025. VISIT [SHRM.ORG/RESEARCH](https://www.shrm.org/research) TO LEARN MORE.

## HIGH HR MATURITY IS ASSOCIATED WITH REDUCED ANNUAL TURNOVER RATE AND VOLUNTARY TURNOVER

Beyond ratings of turnover, workforce attrition data shows a strong relationship between HR maturity and worker turnover rates, seen in tangible reductions in these rates as maturity increases. For instance, a linear regression analysis shows that a 1-unit increase in HR maturity leads to annual turnover rates decreasing by 1.2%. This relationship is also seen with voluntary turnover rates, or the degree to which workers actively decide to leave an organization. In this case, a 1-unit increase in HR maturity leads to a 1.1% decline in annual voluntary turnover rates. These results point to the impact HR performance and maturity have on an organization’s ability to retain critical talent, especially among those who otherwise may opt to leave the organization.

When scaled to an entire workforce, these findings can be highly impactful. In some organizations, a 1.2% reduction in turnover could mean hundreds or thousands of workers remaining with the organization. This directly connects to improved business outcomes, as higher worker retention reduces the need to fill open roles and avoids the significant costs associated with finding talent to replace those who leave. In addition, these organizational costs include not only the expenses of recruiting but also the lost revenue potential from prolonged vacancies.

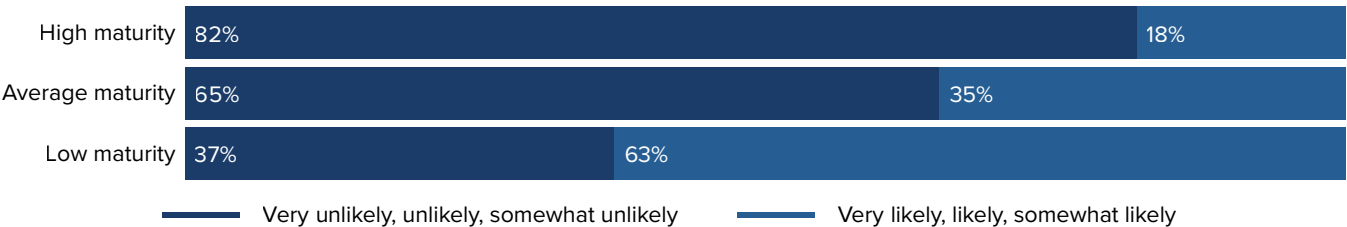
**For every 1-unit increase in HR maturity, annual turnover rates decrease by 1.2%.**

# AS HR MATURITY IMPROVES, WORKER INTENT TO LEAVE WITHIN 12 MONTHS DROPS

High HR maturity not only influences past attrition metrics but also helps shape workers’ decisions to pursue new opportunities in the future. Workers at high-maturity organizations were the least likely to report an intent to leave within the next 12 months, with about 8 in 10 (82%) being at least somewhat unlikely to leave. In contrast, nearly two-thirds (65%) of workers at average-maturity organizations and over one-third (37%) at low-maturity organizations reported the same, where nearly two-thirds (63%) of those in low-maturity organizations report being at least somewhat likely to leave in the next year.

## Worker Intent to Leave by HR Maturity SHRM

Over the next 12 months, how likely are you to leave your current employer?



SOURCE: THE BUSINESS CASE FOR HR EXCELLENCE, SHRM, 2025. VISIT [SHRM.ORG/RESEARCH](https://www.shrm.org/research) TO LEARN MORE.

To quantify the relationship between HR maturity and worker intent to leave, a logistic regression analysis was conducted, revealing that higher HR maturity significantly increases the likelihood that workers indicate they are very unlikely, unlikely, or somewhat unlikely to leave.

- » At an HR maturity score of 1, the likelihood of workers reporting that they intend to leave is 80%. However, at an HR maturity score of 6, the likelihood decreases to 8%.

## Likelihood of Worker Intent to Leave by HR Maturity SHRM



SOURCE: THE BUSINESS CASE FOR HR EXCELLENCE, SHRM, 2025. VISIT [SHRM.ORG/RESEARCH](https://www.shrm.org/research) TO LEARN MORE.



## RETENTION: KEY TAKEAWAYS

High HR maturity plays a pivotal role in reducing worker turnover and improving retention rates, which can result in lowering associated costs. These findings emphasize the value of investing in HR maturity to foster workforce stability and drive long-term organizational success.

- 1. High HR Maturity Reduces Worker Turnover:** Organizations with higher HR maturity are significantly more likely to experience low worker turnover, with the likelihood increasing from just 8% at a maturity score of 1 to 58% at a score of 6. High-maturity organizations also report far fewer instances of having a high annual turnover rating compared to their lower-maturity counterparts.
- 2. High HR Maturity Lowers Turnover Rates and Costs:** Each 1-unit increase in HR maturity leads to a 1.2% reduction in annual turnover and a 1.1% decline in voluntary turnover. These reductions can translate into substantial cost savings by decreasing hiring expenses and minimizing productivity losses caused by open roles.
- 3. HR Maturity Improves Worker Retention:** Workers at high-maturity organizations are far less likely to report an intent to leave, with 82% being at least somewhat unlikely to leave within the next 12 months. In contrast, this figure drops to 65% for average-maturity organizations and just 37% for low-maturity organizations, highlighting the retention benefits of advancing HR maturity.

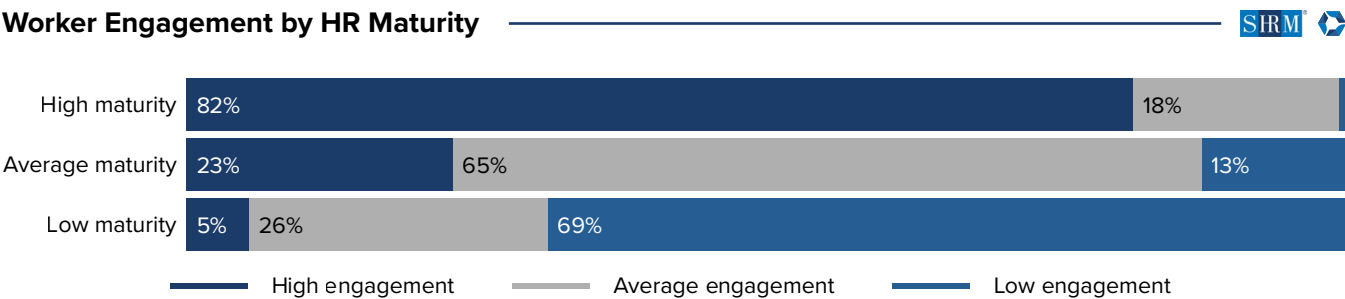


# HIGH HR MATURITY DRIVES STRONGER WORKFORCE ENGAGEMENT

Building a workplace where workers feel engaged, satisfied, and proud to represent their organization is a vital aspect of achieving sustainable success. The maturity of an organization’s HR function has a profound influence on these key aspects of the worker experience. A more mature HR function not only fosters enthusiasm and deeper commitment among workers but also strengthens job satisfaction and elevates the organization’s reputation as an employer of choice.

## HIGH HR MATURITY IS ASSOCIATED WITH GREATER LEVELS OF EMPLOYEE ENGAGEMENT

Workers at high-maturity organizations were the most likely to report high levels of worker engagement, with over 8 in 10 (82%) reporting that their workforce is highly engaged. In comparison, less than 1 in 4 HR leaders (23%) at average-maturity organizations and 1 in 20 (5%) at low-maturity organizations reported high engagement. What’s more, nearly 7 in 10 workers (69%) at low-maturity organizations reported low engagement.



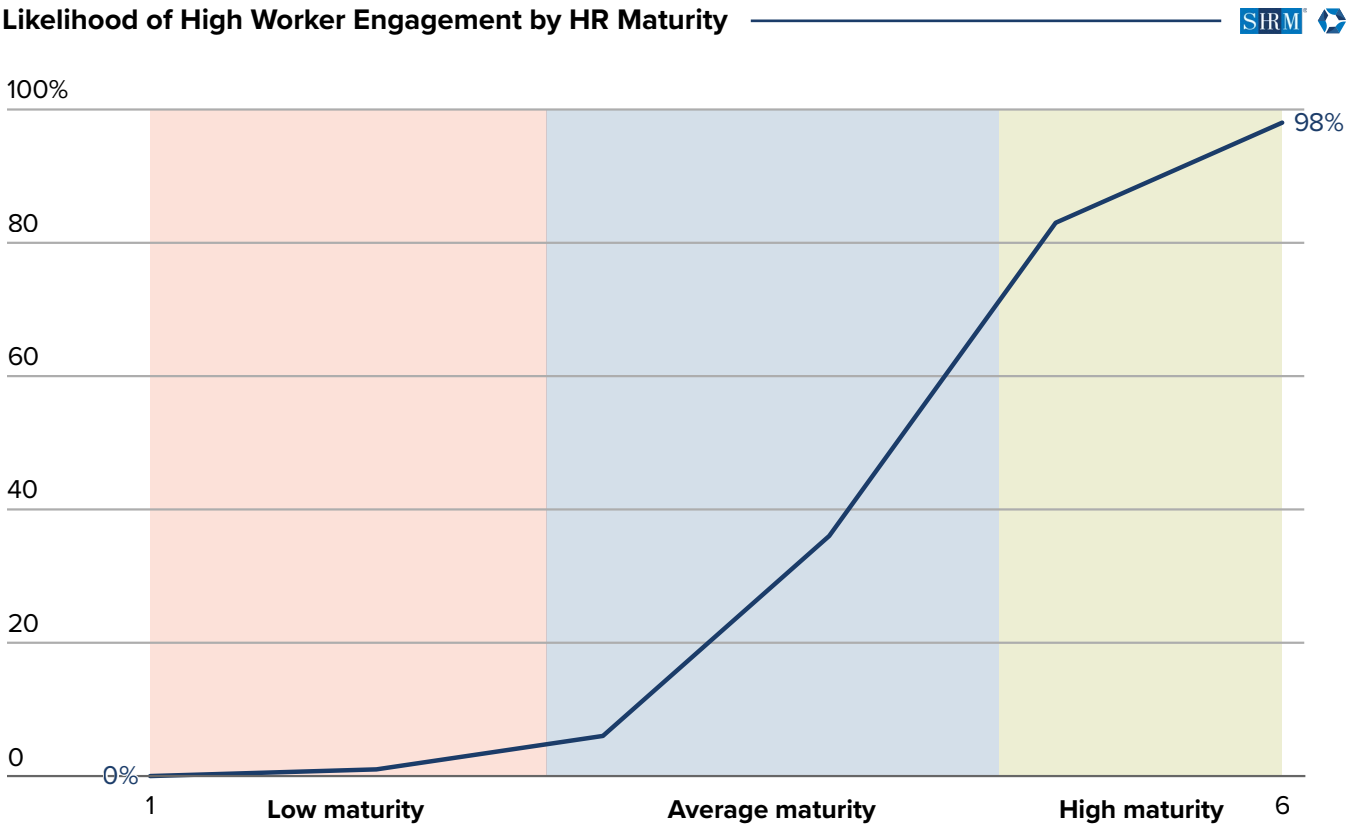
SOURCE: THE BUSINESS CASE FOR HR EXCELLENCE, SHRM, 2025. VISIT [SHRM.ORG/RESEARCH](https://www.shrm.org/research) TO LEARN MORE.





To quantify the relationship between HR maturity and engagement, a logistic regression analysis was conducted, revealing that higher HR maturity significantly increases the likelihood that workers rate their engagement as high.

» At an HR maturity score of 1, the likelihood of high engagement is 0%, or a statistical impossibility. However, as maturity rises and reaches an HR maturity score of 6, the likelihood rises dramatically to 98%, or nearly a statistical guarantee.



SOURCE: THE BUSINESS CASE FOR HR EXCELLENCE, SHRM, 2025. VISIT [SHRM.ORG/RESEARCH](https://www.shrm.org/research) TO LEARN MORE.

## MATURITY APPLIED: AS HR MATURITY INCREASES, WORKERS EXPRESS HIGHER LEVELS OF ENGAGEMENT

Worker engagement is a vital indicator of an organization’s cultural health and overall effectiveness. It reflects how connected, motivated, and committed workers feel to their work and workplace, shaping the organization’s ability to foster collaboration, innovation, and long-term success.

Exploring the relationship between HR maturity and worker engagement using a linear regression method found that a 1-unit increase in HR maturity results in a **15-point increase in worker engagement** when scored on a 100-point scale. Like before, this finding considers the diversity among an organization’s size, industry, and sector and found that none of these factors play a significant role in HR maturity’s impact on worker engagement.

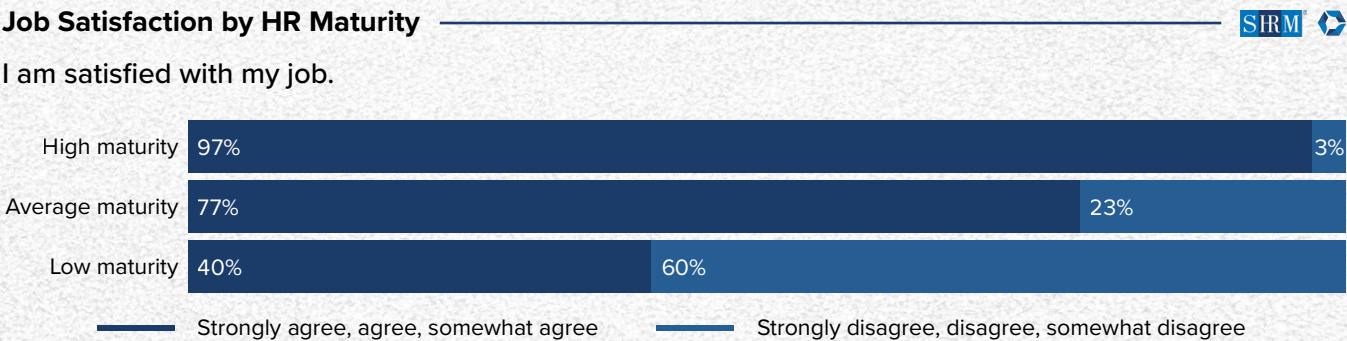
To see this put into practice, consider again the two hypothetical companies used in the prior example for revenue per FTE. Again, these organizations’ characteristics are the same as before, including a 1-unit HR maturity difference. However, when considering engagement, it is worthwhile to account for workers who are individual contributors at both companies, who often occupy many entry-level or lower-ranking positions that typically have lower engagement ratings compared to higher-ranking roles.

Company Characteristic	Company A	Company B
Organization size	1,000 workers	1,000 workers
Industry	Manufacturing	Manufacturing
Sector	For-profit	For-profit
Worker level	Individual contributors	Individual contributors
HR Maturity	5.0 (High maturity)	4.0 (High maturity)
Predicted Engagement Score	78/100	63/100

This 15-point difference underscores the substantial impact HR maturity has on workers’ engagement and their experiences with the organization. Beyond worker engagement metrics, such advancements translate into measurable improvements in productivity, talent retention, and overall worker satisfaction, all of which contribute to long-term financial and operational success for the organization.

## HIGH HR MATURITY IS ASSOCIATED WITH GREATER JOB SATISFACTION

Workers at high-maturity organizations were the most likely to report job satisfaction, with nearly all (97%) expressing satisfaction. In comparison, slightly over three-quarters (77%) of workers at average-maturity organizations and just 2 in 5 (40%) at low-maturity organizations reported being satisfied with their jobs.

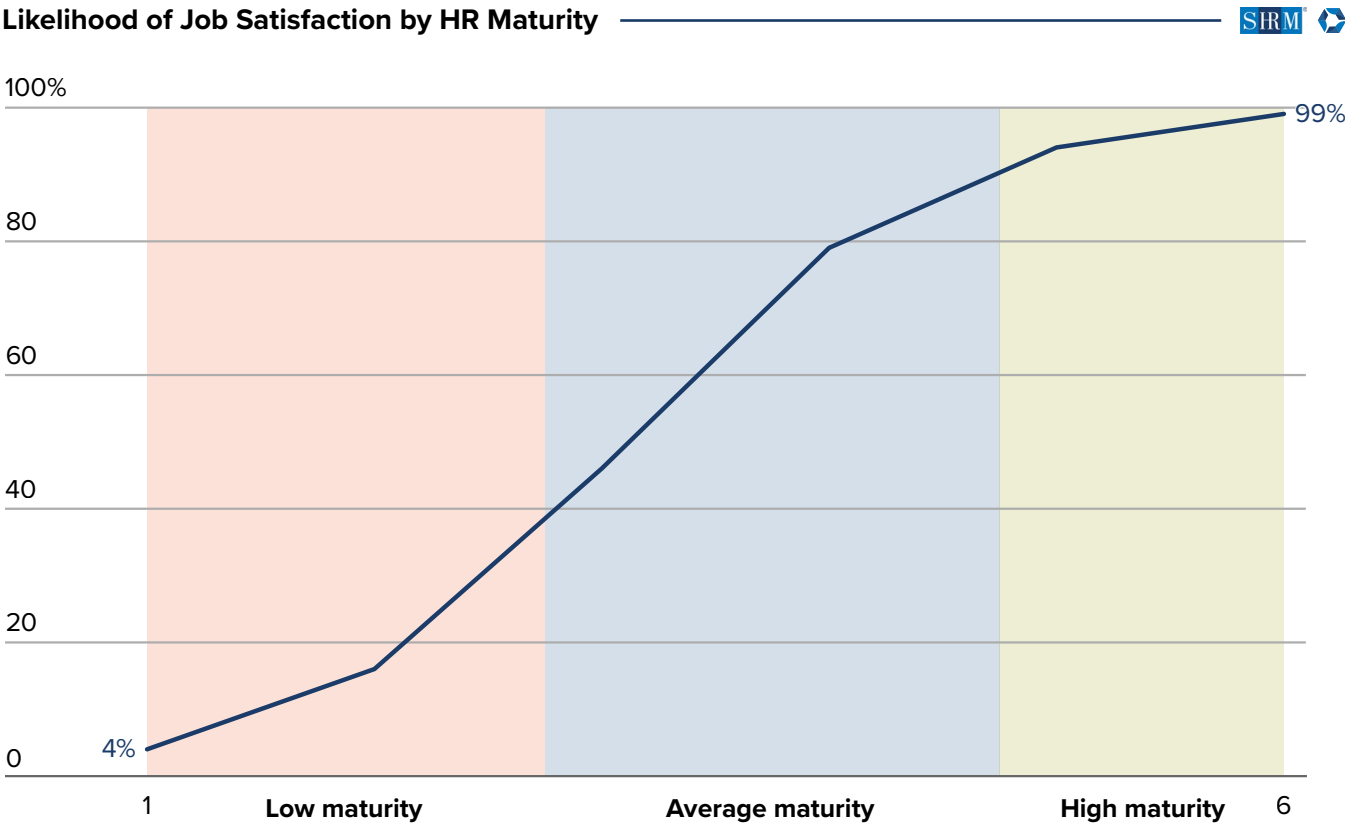


SOURCE: THE BUSINESS CASE FOR HR EXCELLENCE, SHRM, 2025. VISIT [SHRM.ORG/RESEARCH](https://www.shrm.org/research) TO LEARN MORE.



To quantify the relationship between HR maturity and job satisfaction, a logistic regression analysis was conducted, revealing that higher HR maturity significantly increases the likelihood that workers agree that they are satisfied with their job.

- » At an HR maturity rating of 1, the likelihood of workers being satisfied in their jobs is just 4%. However, at an HR maturity score of 6, this likelihood rises substantially to 99%, or a near guarantee that workers will be satisfied with their jobs to some degree.



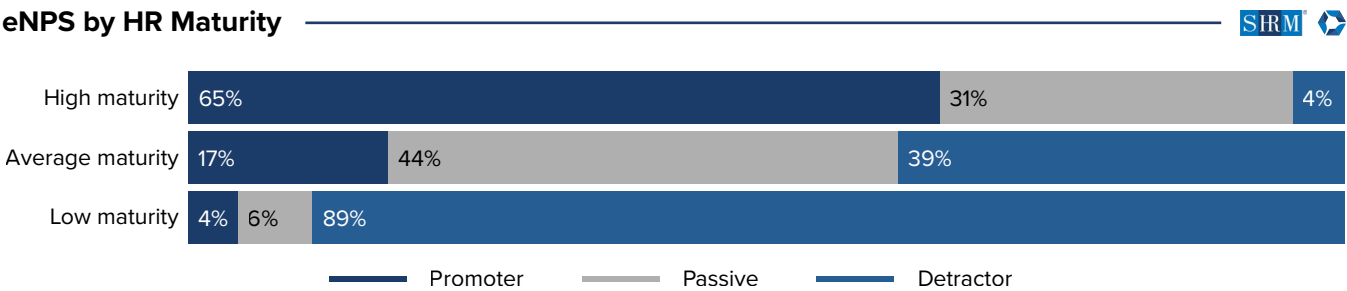
SOURCE: THE BUSINESS CASE FOR HR EXCELLENCE, SHRM, 2025. VISIT [SHRM.ORG/RESEARCH](https://www.shrm.org/research) TO LEARN MORE.



# HIGH HR MATURITY IS ASSOCIATED WITH ELEVATED eNPS SCORES

The Employer Net Promoter Score (eNPS) is a common metric used in businesses to assess workforce satisfaction and loyalty. Based on this metric, workers are categorized as Promoters, Passives, or Detractors depending on the degree to which they would recommend their organization as an ideal place to work, with Promoters being the most likely and Detractors being the least likely.

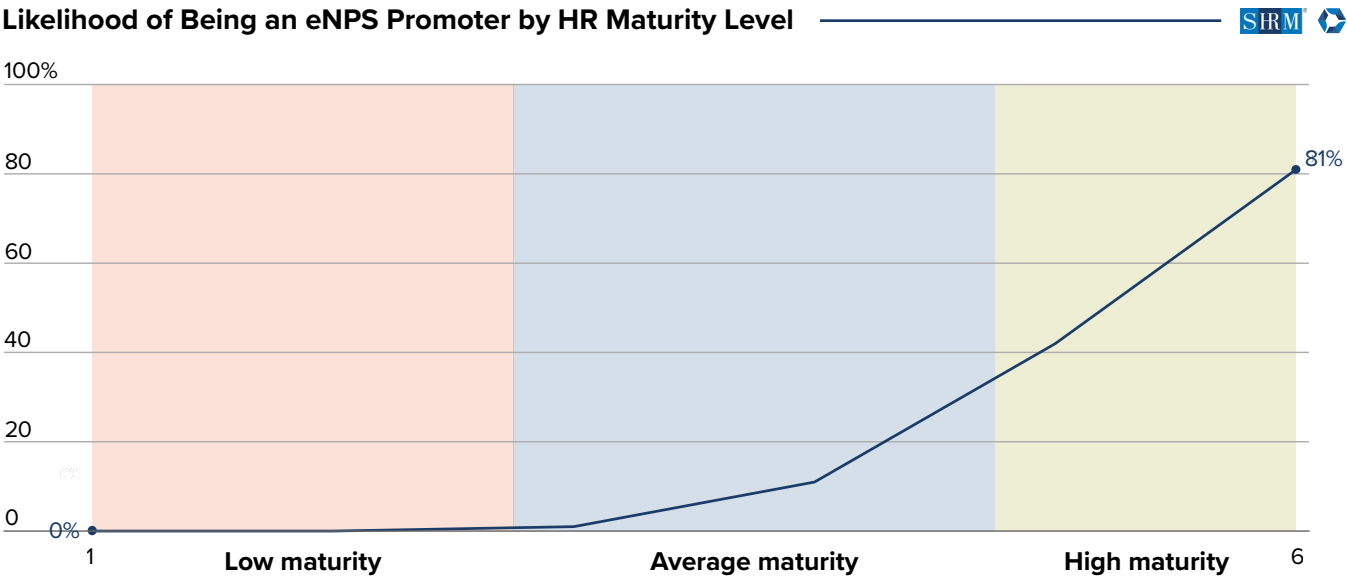
Workers at high-maturity organizations were the most likely to be classified as Promoters on their organization’s eNPS rating, with nearly two-thirds (65%) falling into this category. In comparison, less than 1 in 5 workers (17%) at average-maturity organizations and less than 1 in 10 (4%) at low-maturity organizations were classified as Promoters. By contrast, nearly 9 out of 10 workers (89%) at organizations with low HR maturity were classified as Detractors, indicating they would have poor ratings of their employer.



SOURCE: THE BUSINESS CASE FOR HR EXCELLENCE, SHRM, 2025. VISIT [SHRM.ORG/RESEARCH](https://www.shrm.org/research) TO LEARN MORE.

To quantify the relationship between HR maturity and eNPS scores, a logistic regression analysis was conducted, revealing that higher HR maturity significantly increases the likelihood that workers are categorized as Promoters.

- » At an HR maturity score of 1, the likelihood of a worker being a Promoter is 0%, meaning it would be a statistical impossibility. However, at an HR maturity score of 6, the likelihood rises to a much greater chance of 81%.



SOURCE: THE BUSINESS CASE FOR HR EXCELLENCE, SHRM, 2025. VISIT [SHRM.ORG/RESEARCH](https://www.shrm.org/research) TO LEARN MORE.



## EMPLOYEE ENGAGEMENT: KEY TAKEAWAYS

High HR maturity significantly improves workforce engagement, job satisfaction, and employer brand ratings, creating a more motivated and committed workforce. These results demonstrate the impact of elevated HR practices in fostering a positive and productive organizational culture.

- 1. High HR Maturity Drives Worker Engagement:** High HR maturity is strongly linked to elevated worker engagement, with 82% of workers at high-maturity organizations reporting high engagement, compared to just 23% at average-maturity organizations and 5% at low-maturity organizations. Each 1-unit increase in HR maturity boosts engagement scores by 15 points, highlighting its critical role in fostering a highly engaged workforce.
- 2. High HR Maturity Enhances Job Satisfaction:** Nearly all workers (97%) at high-maturity organizations report job satisfaction, compared to 77% at average-maturity organizations and just 40% at low-maturity organizations. As HR maturity increases, the likelihood of job satisfaction rises dramatically, from just 4% at the lowest rating to 99% at the highest.
- 3. High HR Maturity Boosts Worker Advocacy:** Workers at high-maturity organizations are far more likely to be classified as Promoters, with 65% falling into this category, compared to 17% at average-maturity organizations and only 4% at low-maturity organizations. The likelihood of being a Promoter increases from 0% at a HR maturity score of 1 to 81% at a score of 6, underscoring the impact of HR maturity on worker advocacy and loyalty.



# DRIVERS OF HR EXCELLENCE

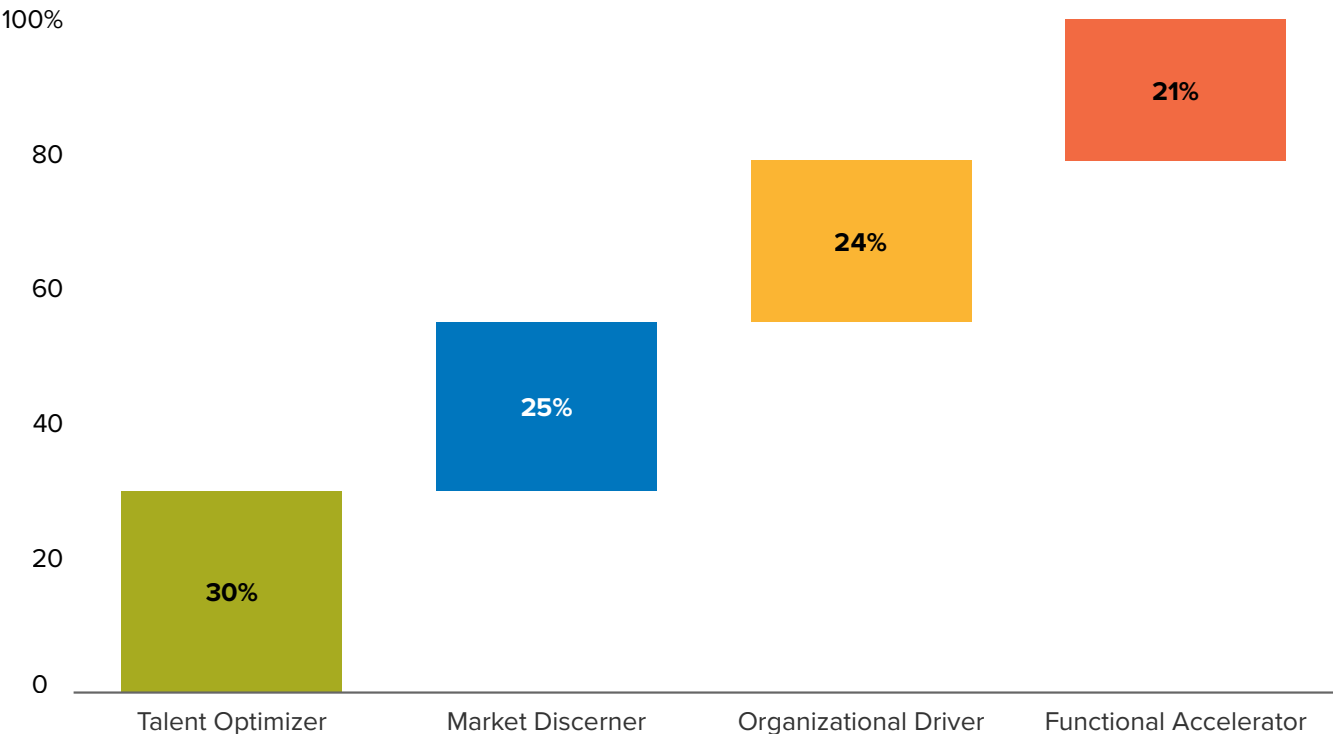
## HR-X DIMENSION RELATIVE IMPORTANCE

Achieving high levels of HR maturity has been shown to significantly enhance both business performance and worker outcomes. However, understanding the pathway to HR excellence requires identifying where to begin. To address this, a relative importance analysis was carried out on the four dimensions of the HR-X Framework: Functional Accelerator, Talent Optimizer, Market Discerner, and Organizational Driver. Through conducting this analysis, it is possible to determine the degree to which HR-X dimensions contribute to overall HR maturity, along with the ranked importance of these dimensions.

This analysis quantifies the relative contribution of each dimension to overall HR maturity, providing insight into their relative importance. The results identified Talent Optimizer as the most influential, accounting for 30% of the variance in overall maturity. Market Discerner followed at 25%, with Organizational Driver at 24% and Functional Accelerator at 21%. While Talent Optimizer emerges as the most influential, the comparable weights across all dimensions suggest that progress in any one area can meaningfully advance HR maturity.

As organizations determine their initial focus to improve maturity, these results emphasize that addressing any area aligned with unique organizational needs can significantly contribute to advancing HR maturity. Furthermore, these findings indicate that most organizations have substantial opportunities for improvement across these dimensions, underscoring the potential to drive transformation and realize the associated benefits.

Relative Impact of HR-X Dimensions



SOURCE: THE BUSINESS CASE FOR HR EXCELLENCE, SHRM, 2025. VISIT [SHRM.ORG/RESEARCH](https://www.shrm.org/research) TO LEARN MORE.



# RECOMMENDATIONS FOR ACHIEVING HIGH HR MATURITY

To assist organizations in applying these results, SHRM analyzed the dimensions independently to identify those elements with the greatest impact on each dimension's maturity. This rigorous examination revealed a series of data-driven recommendations aimed at enhancing performance across the four dimensions. These recommendations provide actionable strategies to help organizations systematically address key areas for improvement, thereby fostering higher levels of HR maturity and delivering measurable benefits for both workers and the broader business.

To achieve high maturity in each dimension, organizations should focus on the following actions that have been shown to have the greatest impact.

## *Become a Talent Optimizer*

Action items	Steps to achieve high maturity
<b>Adopt data-driven and personalized development programs</b>	Align leadership and managerial competencies with strategy, leverage comprehensive assessments, and implement tailored leadership development plans supported by measurable outcomes.
<b>Optimize learning and development practices</b>	Leverage a strategic approach to L&D that incorporates advanced technologies, comprehensive skills analyses, and workforce planning to align worker development with organizational objectives.
<b>Enhance performance management systems</b>	Implement strategic performance management practices, including systemic goal setting, comprehensive performance reviews, advanced data integration, and a culture of constructive feedback.

## *Become a Market Discerner*

Action items	Steps to achieve high maturity
<b>Align total rewards programs with organizational goals</b>	Create total rewards strategies that blend compensation, benefits, development, recognition, and work/life integration using data and tools to remain competitive, align business goals, and adapt to workforce needs.
<b>Elevate benefits offerings backed by data</b>	Develop benefits strategies tailored to workforce needs and industry trends, leveraging analytics and clear communication to foster engagement, retention, and business alignment.
<b>Transform recruiting practices to enhance the employer brand</b>	Adopt holistic recruiting practices that consider advanced insights from data, inclusion efforts, and personalized onboarding to attract and retain top talent while strengthening the employer brand and aligning organizational goals.

## Become an Organizational Driver

Action items	Steps to achieve high maturity
<b>Strengthen C-suite collaboration</b>	Build collaborative C-suite and board partnerships by aligning HR strategies with business goals and using data-driven insights to influence decisions that drive organizational success.
<b>Enmesh proactive ethics and compliance practices into operations</b>	Embed forward-thinking legal compliance, ESG strategies, and ethical standards into operations with proactive policies, advanced sustainability strategies, and a strong ethics culture aligned with global standards.
<b>Embrace transformation to shape the future of the workplace</b>	Proactively adapt to workplace transformation by leveraging advancing technologies, enhancing skills, ensuring ethical technology practices, and promoting collaboration, critical thinking, and flexibility for sustained success in a dynamic environment.

## Become a Functional Accelerator

Action items	Steps to achieve high maturity
<b>Use technology to accelerate HR transformation</b>	Align HR technology with organizational goals by selecting emerging tools, ensuring smooth integration, prioritizing user adoption and upskilling, and driving efficiency and innovation in HR processes.
<b>Strategically target HR technology investments</b>	Create strategic plans for how to effectively invest in HR technologies by aligning them with clear business goals, addressing ethical concerns, identifying metrics to track, and driving impact throughout the organization.
<b>Master connecting the HR strategy with business goals</b>	Expertly align HR strategies with long-term business objectives by harnessing technology, streamlining resources, enhancing worker experiences, and building a skilled, performance-driven HR team.



# CONCLUSION

The evolving demands placed upon HR leaders warrant a strategic reimagining of the HR function to drive meaningful business outcomes. The HR-X Framework, with its four key dimensions of Functional Accelerator, Talent Optimizer, Market Discerner, and Organizational Driver, offers a well-defined road map for organizations striving to enhance their HR maturity and address these challenges. However, the data highlights a significant gap, with only 1 in 8 HR functions achieving high maturity, reflecting the complex nature of this endeavor.

The advantages of high HR maturity, however, are definitive and far-reaching. Organizations operating at this advanced level consistently achieve stronger financial performance and heightened productivity, supported by healthier revenue projections. These organizations also benefit from reduced turnover rates and greater worker retention, as well as elevated worker engagement, higher satisfaction, and more positive employer brand perceptions. When embraced and executed effectively, the pursuit of HR excellence not only delivers clear financial returns but also secures the worker outcomes critical to sustained organizational success and growth.

As the HR profession continues to evolve and align more closely with broader business objectives, it must rise to the occasion to address these challenges with excellence, driving meaningful impact for both organizations and their workforce.

# METHODOLOGY

## **HR Professionals:**

A sample of 1,287 human resources professionals was surveyed from April 29 to May 21, 2025, using the SHRM Voice of Work Research Panel and SHRM Membership. For the purposes of this study, participants were required to currently be employed at the director level or higher. In addition, these HR professionals were required to work at an organization with at least 50 workers. Each response represents a unique organization, and data cleaning measures were implemented to ensure there are no duplicate organizations included in the results. Data is unweighted.

## **U.S. Workers:**

A sample of 2,003 U.S.-based workers was surveyed from April 29 to May 12, 2025, using a third-party online panel. For the purposes of this study, participants were required to be employed by an organization with at least 50 workers, and they could not work in the HR function or in an HR role. SHRM utilized U.S. Bureau of Labor Statistics benchmarks, as of March 2025, to implement a balanced sampling approach on the basis of gender, race/ethnicity, age, and full- or part-time work status that controlled for under- or over-sampling on any of these characteristics. Those who were self-employed, retired, or an independent contractor did not qualify. Data is unweighted.

Citation: The Business Case for HR Excellence, SHRM, 2025.



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**Our mission is to empower people and workplaces** by advancing HR practices and by maximizing human potential. Our vision is to build a world of work that works for all.

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