The Next Frontier of HR Shared Services

Understanding the “Who” and the “What”

July 2012

Mollie Lombardi and Madeline Laurano
The Next Frontier of HR Shared Services: Understanding the “Who” and the “What”

HR departments are in a state of transformation. During a time of continued economic uncertainty, organizations need to make leaner, smarter and more consistent decisions around how they manage their workforce. As a result, HR Shared Services (HRSS) is proving to be a favorable option for organizations striving to reduce costs and drive organizational performance. The definition of HR Shared Services can vary from a call center to fully centralized HR function, but the key characteristic is centralizing the investment in organization makes to deliver various aspects of HR functionality by gathering expertise in centers of excellence for the greater good. Given today's dynamic labor market, organizations are proactively reexamining “who” and “what” should be included in the HR Shared Services model. Leading organizations are clearly defining the scope of service delivery, aligning shared services strategy with the business, and selecting world-class providers to achieve results. This Analyst Insight, based on data collected in June 2012, addresses the pressures, actions and technology enablers involved in this modern approach to HRSS.

The Business Imperative

According to Aberdeen’s 2012 Human Capital Management trends report, the weak economy continues to remain the number one pressure facing today’s HR leaders (Figure 1).

Figure 1: Top Pressures Facing HR Leaders

<table>
<thead>
<tr>
<th>Pressure</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need to identify skill gaps to meet the demands of business</td>
<td>60%</td>
</tr>
<tr>
<td>Need to gain visibility into talent</td>
<td>37%</td>
</tr>
<tr>
<td>To ensure workforce readiness in the face of critical skill and or leadership shortages</td>
<td>28%</td>
</tr>
</tbody>
</table>

Source: Aberdeen Group, January 2012

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Organizations are uncertain about the future of their workforce given the impact of everything from financial regulations, to escalating healthcare costs and rising unemployment. Consequently, HR leaders are under intense scrutiny to improve efficiencies and reduce costs without sacrificing the quality of their HR services.

Since finding this balance between reduced cost and improved quality is a challenge, organizations are turning to HR Shared Services (HRSS) as a viable option. In fact, 73% of organizations surveyed in Aberdeen’s Integrated Human Capital Management research have a full or partial HR Shared Services model in place today. Aberdeen defines a fully rolled out HRSS as a centralized HR function with defined, tiered inquiry / escalation processes – regardless of the maturity of the technology adoption – that delivers services to the entire organization. Shared service adoption can vary from a tier 1 benefits call-center to a global virtual service center providing end-to-end HR functionality. This approach of bringing together and investing in one center of expertise for the delivery of various HR services allows HR to align more closely with business initiatives, providing greater collaboration with business leaders and better visibility into workforce and talent data (Figure 2). For example, 68% of organizations with a HRSS model have support from senior leadership for their HR efforts as compared to 48% of organizations without a shared services model.

Figure 2: Key Capabilities in HR Shared Services

HRSS not only integrates HR efforts with business efforts, it supports organizational growth. Organizations with an HRSS model are better positioned to have visibility into HR data and can not only report on key business metrics such as retention, development, customer retention and hiring manager satisfaction, but actually improve them (Figure 3). Another way shared services impacts the business is by facilitating organizational...
change. A well-executed model streamlines and simplifies processes in a
consistent manner, keeping managers satisfied and making all cost-related
activity easy to track. The number one driver for implementing a HRSS
model, cited by 62% of organizations, is delivering services more
consistently.

**Figure 3: Business Impact of HR Shared Services**

![Figure 3: Business Impact of HR Shared Services](image)

Although the benefits of HR Shared Services are hard to deny, the true
value for a future-looking strategy will come from a model that is flexible
enough to handle today's complex workforce and strategic enough to
manage multiple elements of HR. The following sections will highlight the
activities, individuals and providers necessary to create a next-generation
approach to HR Shared Services.

**Connecting the Dots**

As HR reinvents itself in an effort to align with the business, the HRSS
model has also undergone a transformation. Organizations are considering
both “what” and “who” should be included in this model moving forward.
For organizations expanding globally or embracing contingent or temporary
labor, a successful HR Shared Services model will need to respond to a
more dynamic workforce by broadening its services and its outreach.

**“What” is Included**

Traditional HR Shared Services models have focused heavily on payroll and
benefits administration. Unsurprisingly, organizations looking to gain
consistency and create more efficiency for these fundamental HR initiatives
have continued to adopt HRSS. As organizations look to integrate talent and
business goals, reporting and analytics is gaining momentum in the HRSS model. More than ever before, HR needs to be able to provide data on both current and future talent needs. A consistent approach to HR makes collecting, tracking and managing this data much simpler. As a result, 65% of organizations included reporting and analytics as an element of their HR Shared Services model (Figure 4).

**Figure 4: Key Activities within HR Shared Services**

<table>
<thead>
<tr>
<th>Percentage of Respondents, n=42</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits</td>
</tr>
<tr>
<td>Payroll administration</td>
</tr>
<tr>
<td>Recruitment administration</td>
</tr>
<tr>
<td>Reporting and Analytics</td>
</tr>
</tbody>
</table>

Source: Aberdeen Group, June 2012

**“Who” is Included**

In order to stay agile enough to handle changes in economic conditions, organizations are beginning to operate with a flexible workforce, including a significant investment in contingent or temporary labor. The contingent workforce is growing as both employers and job seekers recognize the benefits, including greater diversity, improved flexibility, and lower costs. According to Aberdeen's 2011 *Contingent Labor Management* report, 22.5% of the average organization’s workforce is considered contingent, and 25% is expected to be contingent in 2012.

Despite the numerous advantages and opportunities of a flexible workforce, the majority of HRSS organizations do not yet include contract or contingent labor among the populations they serve (Figure 5). To fully optimize an HRSS model, organizations need to consider the flexible workforce. Furthermore, to create a positive employee experience, organizations might want to consider opening these programs to include families and spouses. Families are also consumers of benefits and other HR related information, and they must also be managed in a cost-efficient way. Currently just, 28% of organizations include spouses and 26% include families.
Global Reach

Globalization requires organizations to extend beyond their comfort zones to achieve new levels of growth and opportunity. For many organizations, “going global” is a primary goal for the next year. When considering a HRSS model, these organizations will need to find the balance between a standard approach and local considerations. While the majority of organizations (73%) are implementing HRSS in North America only, global models are on the horizon. Forty-eight percent (48%) of organizations are implementing these programs in the Asia Pacific region, and 30% in Europe (Figure 6).

Figure 5: Individual Groups of HR Shared Services

Figure 6: Global Presence of HR Shared Services
Key Takeaways

A HR Shared Services model offers organizations greater consistency, reduced costs and improved visibility into workforce and talent processes. When aligning HR objectives with business objectives, the traditional HR Shared Services model needs to evolve to include not only tactical, administrative processes but also strategic initiatives. Additionally, organizations looking to create a comprehensive picture of the total talent population are including contingent and contract labor as well as extending their shared services model to families and spouses.

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

<table>
<thead>
<tr>
<th>Integrated HCM: Visibility, Readiness and Results; May 2012</th>
<th>Human Capital Management Trends 2012: Managing Talent to Lead Organizational Growth; January 2012</th>
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<tbody>
<tr>
<td>Sourcing Gets Smart: Revamping Strategies, Rethinking Technology; April 2012</td>
<td>The Engagement / Performance Equation; July 2011</td>
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