HR SHARED SERVICES: KEY TRENDS AND PERFORMANCE DRIVERS

An APQC Webinar

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AGENDA

01 INTRODUCTION

02 MACRO HR TRENDS

03 DISCUSSION OF TRENDS, BENCHMARKS, AND LEVERS

04 WRAP UP & QUESTIONS
Introduction

Who We Are

ScottMadden is a management consulting firm with more than 35 years of deep, hands-on experience.

We deliver a broad array of corporate and shared services consulting services—from strategic planning through implementation—across many industries, business units, and functions.

EXPERIENCE

Our experienced team has been a pioneer in corporate and shared services since the practice began decades ago. We employ deep, cross-functional expertise to produce practical, measurable solutions.

SCOPE

Our clients range across a variety of industries from energy to healthcare to higher education to retail. Our areas of expertise span the spectrum of middle and back office corporate and shared services.

HUMAN CAPITAL MANAGEMENT SERVICES

- HR Transformation
- Systems
- Process Design and Continuous Improvement
- Talent and Engagement
- Payroll

Our corporate and shared services knowledge, expertise, and experience are unmatched—no other firm has helped more clients with more unique solutions.
## Corporate and Shared Services Capabilities

### Introduction

**Assess and Plan**
- Strategic planning
- Feasibility analysis
- Benchmarking
- Statistical and analytical modeling
- Leading practices assessment
- Performance evaluation
- Project planning
- Leadership education and buy-in
- Staff evaluation
- Change readiness assessment
- Site visits

**Design**
- Current state analysis
- Future state design
- Business case development
- Service delivery model design
- Work scope delineation
- Policy assessment
- Intelligent automation strategy
- Sourcing evaluation
- Organizational design
- Technology evaluation
- Transformation planning
- Implementation planning
- Change management

**Build**
- Project management
- Service and transaction center build
- Detailed organizational design
- Staffing
- Policy harmonization
- Process redesign
- Technology design, selection, implementation, and support
- Education and training
- Facility design and setup
- Change management
- Sourcing implementation
- Metrics and dashboarding

**Improve**
- Analytics setup and deployment
- Operations improvement
- Governance
- Service expansion
- Cost reduction
- Process redesign
- Intelligent automation opportunities/implementation
- Technology upgrade
- Merger and acquisition integration
- Field resource development
- Voice of the customer surveys
- Metrics and performance management
### Introduction

**Representative Clients**

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<th>Higher Ed., Public Sector, and Defense</th>
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*Note: Representative sample; not all-inclusive of clients served. Excludes numerous well-known clients due to confidentiality agreements.*
Introduction

About the Study

Study Scope:

Delivery Model and Operations

Performance

SSO Management Infrastructure and Technology

Staffing

46 Metrics

29 Qualitative Questions

New Topics or Additions in 2021:

- Distribution of HR technology roles
- Virtual work models
- Total HR cost metric

Identified gap in available shared services benchmarks and launched first HR study

Engaged APQC to conduct custom HR study and deployed first cycle

FIRST CYCLE 2011

SECOND CYCLE 2012

THIRD CYCLE 2013

FOURTH CYCLE 2015

FIFTH CYCLE 2017

SIXTH CYCLE 2019

SEVENTH CYCLE 2021

Completed October 2021
Macro HR Trends

1. Remote Work Model
2. Transformation of Human Resources
3. Automation and Analytics
4. Employee Experience
5. DEI Receives Major Focus
6. Employee Well-Being and Mental Health
7. Organizational Design and Change Management
8. Online Training and Upskilling

Discussion of Trends, Benchmarks, and Levers

**Shared Service Virtual Models**

Only 1% of GBS reported a drop in productivity, versus 13% of non-GBS organizations whose productivity was significantly impacted.¹

1. **Standardized, paperless processes**
2. **Existing business continuity plans supported quick changes**
3. **Established service level expectations with the business**
4. **Integrated technologies supported by the model**

**Trends We Are Seeing**

In the post-COVID world, most organizations are utilizing an agile, **hybrid model** by strengthening the relationship between service and evolving customer needs, accelerating the speed of delivery, and promoting innovation and adoption of new technologies.

Other companies are going **fully virtual** by closing their physical service centers and continuing to operate using virtual technologies. Companies with leading practice technologies, good business continuity plans, and robust process automation were the most successful in virtual operations.

Source: SSON: The Future of GBS is Digital. Global business services as a powerful transformation engine
Pros and Cons of Virtual or Hybrid Models

After COVID-19, nearly all companies are planning to use a hybrid in-person/virtual approach.

**PROS**
- Reduced Cost
- Happier Employees and Increased Productivity
- Hiring without Borders
- Saved Time and Stress on Commuting

**CONS**
- Communication Can Get Messy
- Working Conditions Outside of the Office
- Data Security Concerns
- Isolation From the Rest of the Team

*Source: VCC Live*
In the “new normal,” what percentage of your HR shared services workforce in the following categories do you expect to be virtual?

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<tr>
<th>GROUP</th>
<th>3rd Quartile</th>
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<tr>
<td>Tier 1 Service Center</td>
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What We Heard from Shared Services Leaders

**Defense Contractor**
- Shifting from a fully remote model to a hybrid model with employees returning two days a week to the office
- Evaluating requests for relocation to become fully remote on a case-by-case basis
- Allowing individual managers to determine in-office days for their team
- Encouraging in-office days to be purposeful – built around collaboration and team building and not filled with conference calls

**Automotive Company**
- Adapting model after returning to office and then going remote again with variants
- Encouraging employees to come in the office for useful purposes
- Using a team agreement to outline expectations and buy-in from team
- Requiring team members to be on video for virtual calls and going around the virtual room to maintain engagement
- Holding various non-work related virtual events for team culture

**Federal Agency**
- Transitioning from COVID protocol to max telework model this spring
- Offering flexibility within parameters
- Requiring in-office days twice per pay period (every two weeks)
- Offering a fully remote status for other employees living substantial distance from center
- Employing hoteling model for office space
- Using virtual award ceremonies and team events to remain connected
Discussion of Trends, Benchmarks, and Levers

Service Delivery Model and Governance

Most organizations are using a tiered approach as part of their service center staffing model. A decreasing number of organizations indicated reporting to corporate HR/lead HR executives compared to the previous cycle. More organizations report either a matrix reporting relationship, reporting to a multi-function SSO, or reporting to another non-HR executive.

Use of Tiered Model

Which best describes the governance model for your HR shared services organization?

- HR SSO reports to another non-HR executive
- HR SSO has a matrix reporting relationship to HR and multi-function SSO
- HR SSO reports to lead of multi-function SSO
- HR SSO reports to corporate HR/lead HR executive

Other
85% of participants reported using a GBS model

- 12% have a single global center
- 23% have regional centers with global management and integration
- 50% have site/country-specific centers with global management and integration

73% of participants have regional or country-specific centers with global management integration

12% of participants operate with a single global center

15% of participants have a non-GBS model, including regional centers run independently, country-specific centers, or other geographic model
Service Center Staffing Metrics

Tier 1 staffing is less than half that of tier 2 staffing at the median. Tier 1 span of control is lower than tier 2.
Overall HR Ratios Increase as SSO Matures

Discussion of Trends, Benchmarks, and Levers

Total employees served per total HR headcount by maturity

- Top Quartile: 222
- Median: 178
- Bottom Quartile: 160

Overall HR Ratios Increase as SSO Matures

Transformation of HR
Discussion of Trends, Benchmarks, and Levers

Continuing to Drive Scope Up the Value Chain

For example: Growth occurring in HR SSOs – higher value services:

- Employee Relations
- Labor Relations
- Organizational Effectiveness
- Business Analytics

TIER 0
Direct Access
- Basic and frequently asked questions
- Routine queries and reports
- Simple transactions

75%-80%
of volume handled
- Administrative Support
- Data Entry
- Inquiry Management
- System Support
- Transaction Support

TIER 1
Generalist Support
- Complex issues
- Trouble shooting

15%-20%
of volume handled
- Talent Acquisition
- Onboarding Support
- Talent Mgmt. Support
- Training Admin.
- Performance Management
- Reporting Support

TIER 2
Specialist Support
- Design of policy
- Policy exceptions

0%-5%
of volume handled

TIER 3
Centers of Expertise

Transformation of HR
The Spectrum of Models for Employee Relations

Models for Employee Relations, including employee investigation, escalation, and disciplinary action components, vary based on industry, employee population, and/or geographic coverage. Even when employee relations is included in the scope of an employee service center, the delivery models can be diverse as illustrated along the spectrum below.

- **Model 1**: Intake, case management, and resolution/discipline
- **Model 2**: Intake, case management, investigation, and resolution/discipline
- **Model 3**: Investigation and resolution/discipline
- **Model 4**: Intake, case management, investigation, and resolution/discipline

Employees → myHR → Managers → Field HR → COE → Transformation of HR

manage policies, analyze data/trends, and assist with high-profile/difficult cases
Since 2015, employee relations specialist staffing has increased by 29%.
Digital Transformation Trends in HR

**AI continues to grow**
While candidates will eventually require in-person interviews, artificial intelligence assists in the hiring process. AI cuts down on the amount of work management must do to find new hires and time wasted with ineligible candidates.

**Cloud-based HCM tools are essential**
Cloud-based HCM is essential as it ensures that your business’ resources, organization, and ability to share is accessible from one place to all. Businesses reaped the benefits of cloud-based systems when most companies switched to remote working.

**Virtual reality for training**
Top companies have designed virtual reality training programs that provide a fully-immersive experience for employees during training.

**Chatbots for more than customer service**
With Chatbots, simple issues can be addressed, information can be submitted, data can be provided, and new hire information can be collected. Chatbots can pass any needs that go beyond their capabilities off to the proper representative. This streamlines HR processes and reduces the time HR employees spend on simple matters.

Source: aptly – Digital Transformation and Technology Trends in HR in 2022
Intelligent Automation

Discussion of Trends, Benchmarks, and Levers

Almost 50% of SSOs reported piloting or having implemented IA applications; another 34% are thinking about using

To what extent does your shared services center use intelligent automation applications?

- Not sure: 4%
- Not using: 13%
- Thinking about using: 34%
- Conducting pilot to validate utility: 28%
- Implemented: 21%

Automation and Analytics
Intelligent Automation (Cont’d)

Among organizations that are harnessing the power of RPA, the majority are using desktop automation for simple transactional data or use rule-based RPA for structured data.

Which of the following best describes your HR organization’s maturity with regards to process automation?

- We do not use automation to any significant degree - 27%
- We use desktop automation for simple transactional data - 28%
- We use rules-based robotic process automation (RPA) for structured data and/or simple rules - 26%
- We used knowledge-based autonomic process automation for unstructured data and/or complex rules - 13%
- We use artificial intelligence-based cognitive automation for autonomous decision making and discovery - 6%
Case Studies on HR Automation

Food Service Provider

Who: Global customer service business across food, facilities, and uniforms with over 200,000 employees.

Goals:
• Streamline and automate candidate screening process
• Enable seamless interview scheduling
• Improve the candidate experience

How:
• Gathered information and needs from TA’s customers
• Developed requirements and completed vendor selection process
• Selected solution and implemented functionality
• Developed a roadmap to expand the use cases and scale adoption across the enterprise

Technology Used: Paradox

Results:
• Hosted more than 400 events nationwide
• Scheduled interviews with nearly 30,000 candidates in less than three minutes per candidate
• Sent more than 300,000 messages to candidates
• Applied through Olivia, Paradox’s conversational AI assistant, by more than 25% of job-seekers

Support Provider

Who: Outsourced sales, technical support, and customer service provider with more than 90,000 employees located in 30 countries.

Goals:
• Reduce attrition
• Improve recruitment efficiency
• Deliver an engaging candidate experience

How:
• Leveraged digital tools to identify top talent
• Educated candidates with a more realistic job preview
• Assessed applicant skills and characteristics that predict success with custom situational judgement tests
• Used candidate data to match applicants to specific roles and predict top performers

Technology Used: Harver

Results:
• Reduced employee turnover rate by 45% within the first year
• Reduced time to hire by half
• Increased candidate satisfaction scores, reaching 97.5%
Case Studies on HR Automation (Cont’d)

**Healthcare Non-Profit**

**Who:** A healthcare non-profit with over 65,000 employees.

**Goals:**
- Give their HR team (600+ employees) the opportunity to do more meaningful work
- Reduce risk
- Deliver a higher level of service

**How:**
- Implemented Catalytic
- Enabled ease in building automated processes
- Allowed for simple system integration, provided flexibility and configurability

**Technology Used:** Catalytic, a secure cloud-based automation tool

**Results:**
- Automated 4,000 hours’ worth of HR work
- Increased its time-savings to 40,000 employee hours
- Improved the employee experience

**Brewer**

**Who:** A multinational beer brewing company located in the Netherlands with over 650 employees.

**Goals:**
- Create an eco-friendly system than their current paper centered system
- Provide employees with better insight into their labor to personalize the conditions and benefits

**How:**
- Chose HR system that allows employees to personalize their labor conditions and benefits
- Provided simulation modules to preview results of changing terms of employment
- Allowed employees to directly see the results of their choices in that same system

**Technology Used:** Pointlogic

**Results:**
- Increased employee satisfaction from a 6.8 to 8.2 (out of 10) compared to the old paper process
Discussion of Trends, Benchmarks, and Levers

Trends in People Analytics

TOP PRIORITY
71% see HR analytics as high priority, but progress for implementing is slow

DATA-DRIVEN DECISIONS
A successful people analytics program requires people with the right skills, motivation, and tools

DEI IS A FOCUS
Analytics is key to helping companies understand where they need to improve and where hiring is lacking

EMPLOYEE PERFORMANCE
Analyzing data on salaries, performance reviews, and promotions helps assess your performance processes

Sources: Millan Data Science Strategies, Employee Cycle, SHRM
User Experience Defined…. And Why it Matters

What is User Experience?
User experience (UX) focuses on having a deep understanding of the end-user and what they value…it is the overall feeling the end-user has about their interactions with a business, service, or product.

Benefits for Internal Customers:
- Enhances customer service
- Creates efficiencies and reduces costs
- Supports scalability
- Increases employee retention

UX is influenced by:
- In-Person Interactions
- Web-Based Interactions
- Notifications
- Call Centers
**Keeping a Customer Centric Focus – Personas**

### Alicia, Employee

- **AGE:** 30
- **GENDER:** Female
- **LOCATION:** Irvine, CA
- **OCCUPATION:** Nurse
- **LEVEL:** Supervisor

#### Discussion of Trends, Benchmarks, and Levers

**Pre-Leave Application**

- "No one could answer my question and bounced me around to different resources."

**Pre-Leave Initiation**

- "The application process and vendor website were simple and easy to use!"

**Pre-Leave Comms**

- "The LOA vendor took 3 weeks to send me a rude letter that my doctor did not complete the forms correctly."

**Mid-Leave Process**

- "Both the LOA vendor and LOA Team sent me conflicting instructions for RTW."

**Return to Work**

- "There was not easy checklist. The RTW process was confusing. I hope I did it right and get paid correctly next week."

#### Key:

- **Red** Bad Experience
- **Orange** Moderate Experience
- **Green** Good Experience

#### Interaction Points

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<th>Interaction Points</th>
<th>Service Center</th>
<th>LOA Team</th>
<th>LOA Vendor</th>
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#### VOC Survey Ratings

- **Very Satisfied**
- **Satisfied**
- **Neither Dissatisfied or Satisfied**
- **Dissatisfied**
- **Very Dissatisfied**
Increased Use of Conversational Solutions in HR

Which of the following best describes your HR organization’s use of conversational solution to support HR service delivery?

Select all that apply

22% of participants do not use conversational solutions to any significant degree

78% of participants reported using at least one conversational solution to support HR service delivery

Among SSOs that reported using conversational solutions to some degree...

35% use chatbots to provide self-service Q&A across HR processes, policies and tools

29% use virtual agents that draw upon employee information in HRIS and other systems to provide personal responses via instant messaging

14% use digital assistants for complex automated processing
Wrap Up & Questions
Adopting a Continuous Improvement Mindset and Process

Wrap Up & Questions

Internally Discovered

- Collect Additional Information
- Determine Root Cause(s)
- Determine Scope
- Determine Impact
- Determine Actions Required
- Estimate Resources

Customer Reported

Immediate Action

OR

Long-Term Planning Cycle
Wrap Up & Questions

**Key Characteristics of Top Performers**

From analysis of the benchmarking data, we see four key areas that differentiate good shared services organizations from great shared services organizations.

- **Optimizing business operations, governance, work alignment, and structure**
- **Leveraging technology for service delivery**
- **Optimizing processes and removing administrative work from the local business**
- **Focusing on customer satisfaction and performance**
Want to Find Out How You Compare?

Contact us at info@scottmadden.com

ScottMadden and APQC’s HR Shared Services Benchmarking Study

- Unique benchmarking study
- No cost to participate
- Receive detailed report of all metrics and qualitative results
- Peer group comparisons are provided
APQC'S 2022 PROCESS AND KNOWLEDGE MANAGEMENT CONFERENCE
May 11-12 | Houston, TX

LEARN MORE

ROUND TABLES
APQC invites practitioners to share challenges, successes, tactics, solutions around process and knowledge management topics.

MONTHLY WEBINARS
APQC shares findings from research and trends on topics covering process improvement, knowledge management, finance, human capital, and supply chain.

VIEW THE CALENDAR

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Reminders

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