

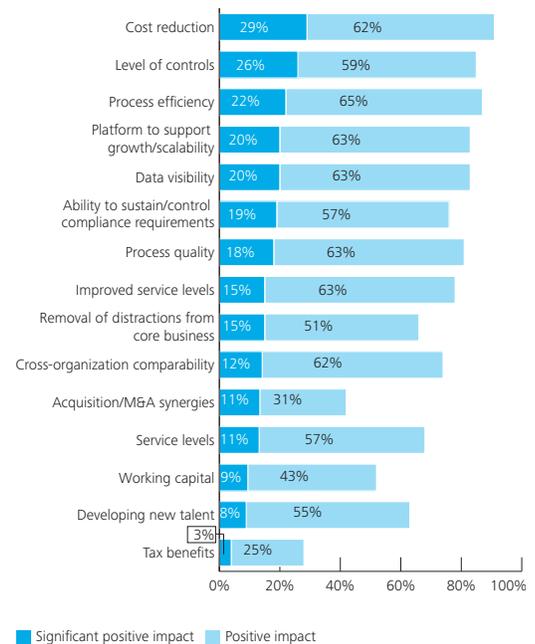
10 HR Shared Services and Outsourcing

Has your organization implemented service centers, deployed a shared services model including centers of expertise, or maybe outsourced HR and related technology capabilities in support of HR delivery? Think you've reached the future state? Think again.

For more than 15 years, companies of all sizes and levels of complexity, in virtually all industries and around the globe, have worked to improve the effectiveness and efficiency of their HR operations. More recently, they've combined outsourcing — both broadly and selectively — with ever-improving technology for customers and operators of HR services. These changes have offered the goal of reaching future state more quickly.

Once, the vision of the future state cast the HR function as a way to deliver basic services to support the administrative requirements of employing people. As more companies globalized and grew, the complexity of those requirements increased. The cost and challenge of supporting those HR needs increased as well. In this environment, shared services and outsourcing became specific tools for delivering complexity in an effective way.

Many large and mid-sized companies turned to outsourcing as a way to realize the future state of HR service delivery. They transferred a large portion of the HR department's processes, technology, and people to outsourcing providers



Source: Deloitte's 2011 Global Shared Services survey

with the expectation that those firms would effectively transform the delivery of HR by providing an outsourced shared services model. Today we know that the fully outsourced approach to realizing business objectives proved more challenging than many anticipated.

HR Shared Services and Outsourcing

As Deloitte's 2011 Global Shared Services Survey reaffirms, overall shared services deployments have moved the needle in the areas their designs called for. Cost reduction, controls, and process efficiency are the top three outcomes globally — and these results have remained consistent over the last few years. Many companies continue to work toward similar goals aligned with the future state they've envisioned for years.

By now, a more effective, efficient HR operation is simply not good enough. The many stories about challenges and achievements, whether in applying insourced, outsourced, or blended approaches, reveal a landscape that demands new thinking.

In the new vision of a future state, effectiveness and efficiency are table stakes. To realize this vision, complex businesses must also drive profitable global growth into emerging markets, flow talent seamlessly around the enterprise, and permit increasingly rapid merger, acquisition, and divestiture transactions on a grand scale. Together, these needs define a new future state for HR shared services and outsourcing.

To get there, HR shared services will have to bring significant improvement to:

- Driving a company's talent agenda
- Accelerating mergers, acquisitions, and divestitures while improving the quality of integration
- Improving leaders' ability to focus on the core business through high-quality services

The new future state for HR shared services and outsourcing

Profitable global growth, entry to emerging markets, flowing talent across a complex enterprise, and increasing the speed to productive outcomes of significant corporate transactions are among the top business demands of today. They will likely remain so well into the future. These demands can bring a variety of new people management challenges, and HR should prepare and organize the delivery of services to address them actively, efficiently, and with increased value.

The future HR Shared Services capability must take accountability for managing broad/overall HR inquiry, transaction, and administrative services; driving the identification, attraction, development, and movement of talent across the enterprise; and delivering people-related services to support the rapid execution of corporate transactions around the globe.

These new accountabilities will add to, not replace, the offerings many HR shared services organizations provide today. Yet the delivery of these increased capabilities must occur within the same or improved total cost of ownership, and the administrative table stakes at the heart of HR will remain important.

Whether or not an organization has implemented a shared services model, it may seem a steep challenge to expand the role of HR shared services beyond the current state. However, this challenge is entirely achievable through three specific strategies:

- Deploying new shared services operating approaches
- Implementing improved technology and tools
- Outsourcing strategically

HR Shared Services and Outsourcing

Deploying new shared service operating approaches

For HR shared services to elevate its delivery beyond cost and operational effectiveness, many organizations should embrace new operating approaches with expanded scope. Often, HR shared services focuses primarily on “back office” functionality in the form of data entry, report generation, and recordkeeping. Yet for shared services to deliver as a component of overall HR delivery, it must address more priorities than those.

For example, the talent agenda requires providing leaders with faster access to meaningful information and identifying people management trends. Accelerating merger integrations or spin-offs requires repeatable methods, tools, and processes. And improving leaders’ ability to focus on core business activities may mean further increasing the business focus of the strategic HR professionals who team with those leaders.

Beyond back-office basics. HR shared services gives many companies a core platform to deliver services well beyond transaction and data management. Many organizations already provide a broader set of services. The future of HR shared services includes answering inquiries well beyond basic employee questions. Further, it includes providing administrative process services that require HR domain knowledge.

The traditional view of HR call centers often includes the belief that complex inquiries, such as employee relations matters or manager coaching, should be reserved for HR Business Partners. While these matters certainly can lead to complex issues, a well-built shared services capability can support the initial fielding and triaging of most HR inquiries

— and in many cases more than that. In a similar vein, processes such as candidate screening, learning curriculum management, and vendor management are specialties that require degrees of domain knowledge that may emerge as key functions within the future of HR shared services. The right level of documentation, training, technology tools, and resources combine to give HR shared services the ability to deliver services that go well beyond the back-office basics.

Functional specialists. Across many companies, the roles of the HR Business Partner or generalist and centers of expertise continue to evolve as they strive to deliver more business impact. To continue that evolution, they need to transfer more administrative components of their work to shared services. In the prior view, HR shared services’ responsibilities were limited to basic administration, while business partners and Centers of Expertise (COEs) held onto work that required varied degrees of HR domain knowledge. This retention of administrative duties within the business partner or Centers of Expertise functions may prevent people in those roles from applying their full attention to the enterprise’s true people agenda. Creating functional specialist roles within HR shared services makes it possible for workers with in-depth process knowledge and expertise to deliver those important, yet administrative, services across the enterprise.

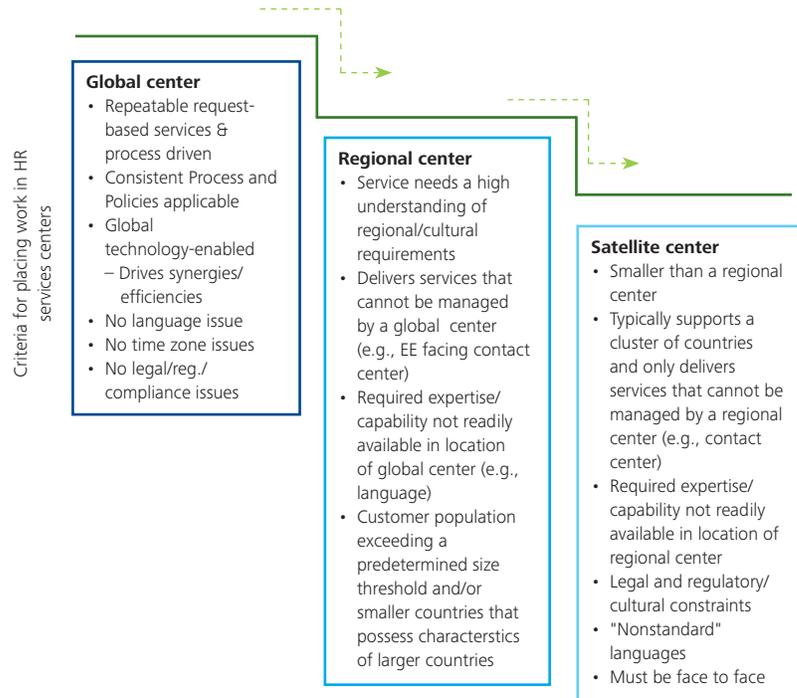
The expansion to functional specialties, along with core transaction, data management, and inquiries, helps HR shared services serve the entire enterprise efficiently. Through this approach, the organization can apply repeatable, effective processes to high-value functions such as corporate transactions, employee relations, high-volume or unique skill recruitment, and vendor management across HR functions.

HR Shared Services and Outsourcing

Global-regional-satellite (and virtual). In the “early days,” companies built shared services centers with the notion of serving HR’s customers globally. While this model certainly worked well for many functions, complex enterprises recognized the challenges that came with supporting inquiries and other functions that require adaptation to local cultures, regulations, and languages. This led to the proliferation of regional centers, often as an alternative to or replacement of single global centers.

The future of HR shared services, especially as offerings expand to include inquiry support and functional specialties, requires an evolved approach that replaces the traditional model with the balanced deployment of a “hub and spoke” construct. Many complex companies can create a well-orchestrated set of service centers that operate as a cohesive organization, placing work in the right place and flowing work across centers both upstream and downstream, thus promoting required efficiency, cultural alignment, and closeness to the locale where required.

Where the volume of work warrants it, satellite centers may be physical centers. More often, however, work defined for a satellite center may occur through virtually based workers or workers colocated in a business facility rather than a formal service center. This approach can provide HR shared services leaders greater flexibility to expand the suite of service offerings. It can also help them acquire and retain the HR domain expertise to deliver — while maintaining or reducing the total cost of operation.



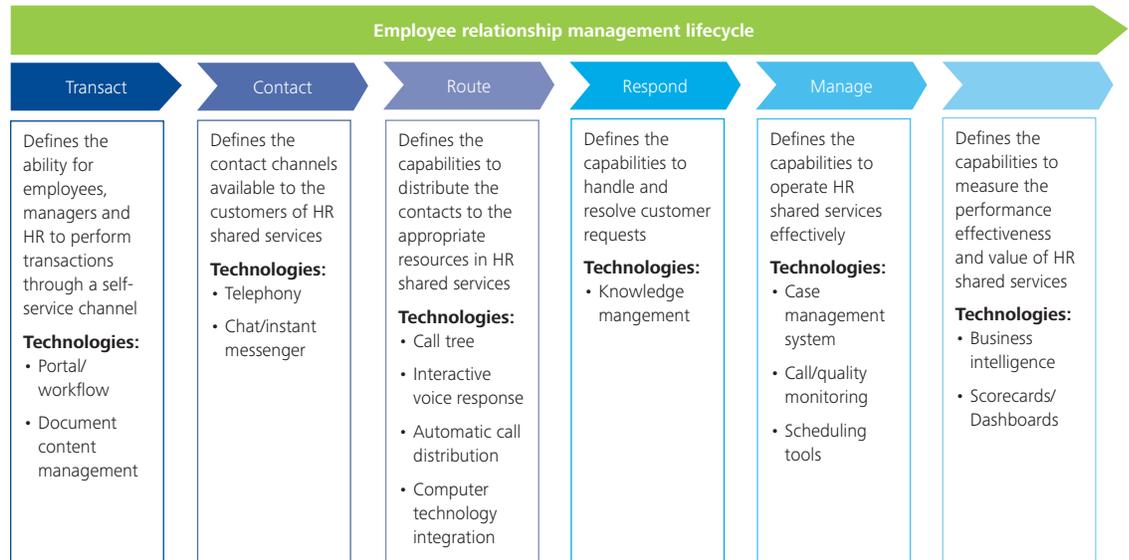
Source: Deloitte

HR Shared Services and Outsourcing

Implementing improved technology and tools

Expanding the offerings of HR shared services and operating a balanced hub-and-spoke model relies on a variety of factors. Among the most important is an improvement in both operational and customer-facing technology tools. Call handling, case management, and knowledge base technologies are foundational technologies, and they can deliver greater integration and ease of use.

Shared services leaders face the difficult task of demonstrating a positive return on investment of technology acquisition with a limited set of high-cost options to achieve the goal. Increasingly, market demand has driven the development and innovation of packaged and SaaS solutions that improve the deployment speed and operating costs.



Source: Deloitte

HR Shared Services and Outsourcing

The HR shared services model of the future demands the continued use and evolution of those foundational technologies, along with tools that enhance customers' experiences across the request lifecycle. Focused, strategic investments in the key areas below, and the process changes that come with them, are critical to achieving the new future state of HR shared services while maintaining the necessary operating cost and efficiency:

Enhanced online channels. Improved user interfaces, live chat, and on-demand content give managers, employees, and HR Business Partners more direct access to information.

Knowledge and content management. Broad knowledge management tools facilitate the presentation of relevant and personalized HR policies, content, and transaction support to customers using role-based access, organizational placement, and language as some of the triggers that make the online channel experience more effective for the end user.

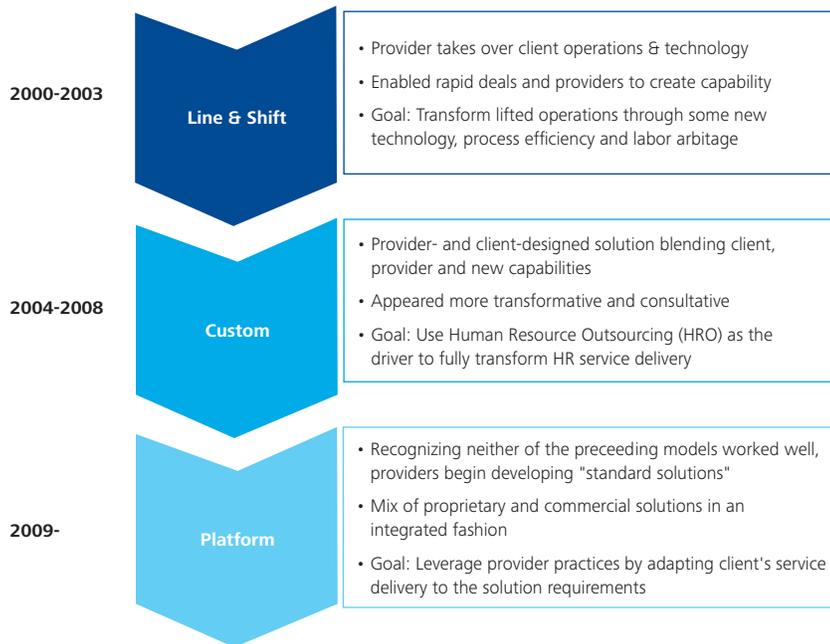
Case management. Integrating case management with the HR portal, telephony, and core HR platform solutions can accelerate the speed of interaction for customers with HR shared services, whether online or by phone, and likely increases the accuracy of information and resolution.

Business intelligence. Business intelligence tools that are often already available in an organization allow shared services to perform broad analysis of key metrics across operational, satisfaction, and financial categories. This drives HR shared services' ability to identify the people management-related trends as well as the opportunities to improve talent attraction and retention.

Highly automated workflow. Moving work in an automated, paperless fashion lets HR shared services leaders improve staffing models, place work in the most skilled hands, and increase quality of service. Workflow technology is the engine with which shared services operations can operate seamlessly across sites.

Thoughtful investments in readily available technologies, with a focus on enhancing the end-user experience and fostering the coordination of work within the shared services environment, are key strategies for realizing the future HR shared services model.

HR Shared Services and Outsourcing



Source: Deloitte

Outsourcing strategically

When seeking to establish or enhance HR shared services organizations, many complex enterprises have encountered the challenges of investing in the applicable technologies, which often impairs quality or limits the scope of offerings shared services can deliver to the company. Alternatively, faced with the need to realize their visions for HR shared services, many companies pursued large-scale HR business process outsourcing relationships with the expectation that outsourcing providers' core business would drive investment in technologies, service center capabilities, and talent to support an end-to-end scope of services across the technology and administration of HR processes.

As large-scale outsourcing providers began to offer services in HR beyond payroll and benefits administration, HR organizations started to want everything and providers offered to do it all. Many believed HR outsourcing would transform HR service delivery and that led to a frenzy of outsourcing. Today we know outsourcing is one tool among many that can support HR delivery as part of a balanced approach.

The HR outsourcing solution landscape began with "lift and shift" approaches and migrated to "custom" solutions. It continues to mature with a shift to "platform-based" solutions. This evolution provides HR broadly, and shared services specifically, the benefit of incorporating outsourcing capabilities — both business process and software services.

HR Shared Services and Outsourcing

Strong platform solutions let organizations adopt defined processes, technologies, and tools that can integrate with other provider-based and internal solutions.

As both buyers and providers of HR outsourcing services learn acute lessons, HR shared services organizations continue to work toward the new future state of offerings and value delivery to their enterprises. The strategic application of HR outsourcing has a bright future. A multivendor approach that brings the “right” vendor to each component of work rather than attempting to bundle all capabilities within one vendor in all cases will help HR outsourcing continue to mature as an important lever that spurs the evolution of HR service delivery. This will remain especially important as organizations work to realize the future vision for HR shared services.

A strategic approach to HR outsourcing means developing a tailored scope of services across internal and external providers, viewing the HR outsourcing provider as one set of capabilities that delivers services as part of a collaborative and highly coordinated delivery team.

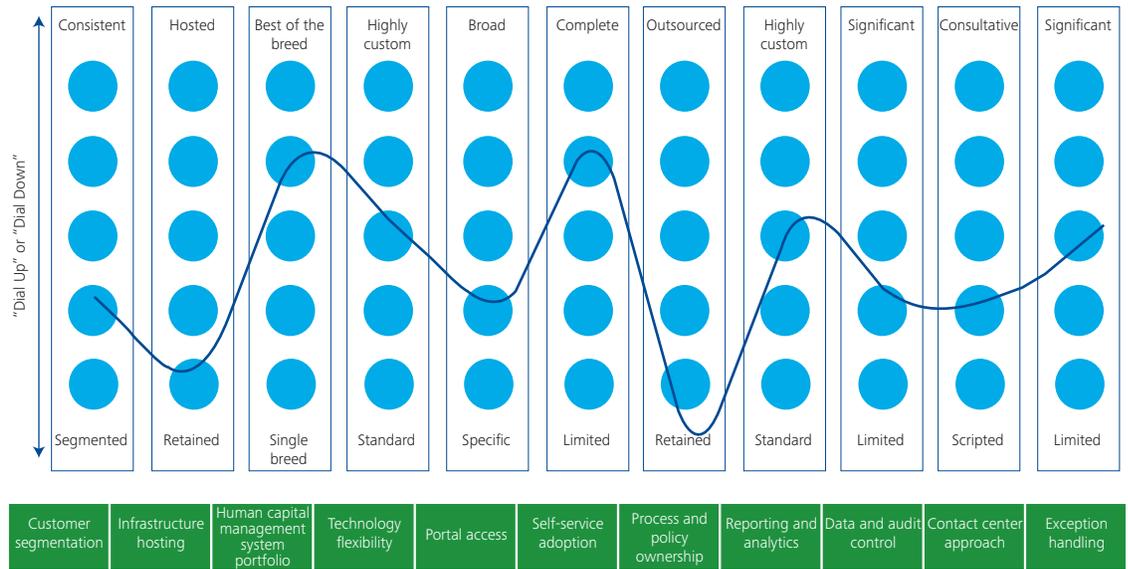
Applying a thoughtful framework to understanding an enterprise’s goals can drive the ability to strategically outsource the solution and align it with the reality of the organization’s needs and culture. In this way, complex companies can define an overall solution to fit expectations and purpose.

Some organizations used to assume that outsourcing HR required dialing-up factors across the board and outsourcing nearly everything across the HR domain. Deloitte’s HR Outsourcing Tolerance Framework helps create a view of a company’s outsourcing “profile.” Using this framework through collaboration among key stakeholders can yield a picture of an organization’s tolerance and provides a foundation to incorporate outsourcing services as part of a sustainable and executable strategy.

Effective outsourcing requires recognition of core principles:

- Every company has different needs and business priorities, and the scope of services to outsource will vary
- Organizational dynamics and culture must weigh on the determination of scope as well as provider choice
- The internal capabilities of an enterprise are important considerations when identifying the “right” mix of internal and external providers to execute the HR shared services vision
- SaaS solutions provide a strong complement or even alternative to outsourcing solutions and require careful consideration

HR Shared Services and Outsourcing



Source: Deloitte HR Outsourcing Tolerance Framework

Putting it together

The future of complex global business demands a new future state for HR shared services — one that aligns with the rapidly changing business expectations of the chief HR officer and teams. Implementing new approaches to HR shared services can bring measurable value to the global enterprise.

Profitable global growth, entry to emerging markets, flowing talent across a complex enterprise, and increasing the speed to productive outcomes of significant corporate transactions are among the top business demands global business must address. HR organizations have a significant opportunity to help their companies navigate the people management challenges inherent to these critical business needs. Execution against that challenge in an efficient, effective, and value-added manner dominates the agenda of any future-facing HR shared services organization.