

A Path to Greater HR Efficiency, Improved Effectiveness and Better Outcomes

The HR Shared Services Model



Considering implementation of shared services is a strategy organizations should not take lightly. Stories in business articles or reported by peers are correct: The benefits that organizations realize from shared services are commensurate with the effort put into planning. That includes reviewing readiness, determining the scope, as well as the overall architecture (the top-down service-delivery model), and design (the bottom-up operating model). Doing these things well maximizes the value of shared services. It also increases the likelihood the organization will adopt and embrace them.

Shared services is not a new concept. It dates back to the 1980s when some pioneering corporations designed and deployed the initial versions. In some cases, these efforts stayed within an organization, while in others, joint initiatives between two or more companies proved to be a way to save costs or improve efficiencies. That trend led to a rise in offshore call centers, also known as “captive centers,” and service centers, which likely saved expenses but often degraded the customer experience (either external or internal) enough to paint shared services in a negative hue. It also was a starting point for “business process outsourcing.”

The shared services delivery model has evolved to become more than just a cost-savings strategy. Today, it's best not to think of HR shared services as a panacea to save money, reallocate staff or quickly fix existing issues. Rather, view HR shared services as a true business initiative that requires thoughtful preparation, careful planning and design. To maximize results, it also demands a commitment to continuous improvement.

This article briefly explores the catalysts that often trigger consideration of HR shared services. It highlights a model that an HR function can use to:

- Assess readiness and stakeholder buy-in
- Design a strategy that best fits the organization
- Roll out and implement with appropriate communications timed to gain acceptance and provide a platform for improvements and further utilization of shared services, if desired

Note that the process and model described in this article are not limited to HR. They are applicable to other business functions.



Catalysts for HR shared services

There are two primary situations where an HR shared services model may be the best fit: process improvement and transformation.

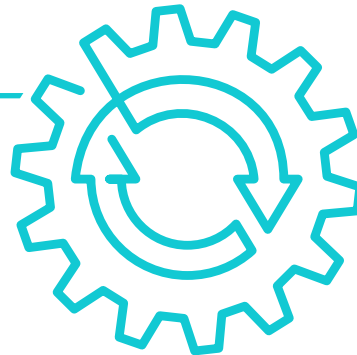
Examples of HR Initiatives that HR Shared Services Support

Process improvement:

- Improve the employee experience (potentially improving productivity and engagement)
- Manage costs (especially where the option of adding staff is impractical)
- Improve the quality and timeliness of services
- Address scale (where meeting seasonal fluctuations, like open enrollment, is a challenge)

Transformation:

- Implement a new HR or human capital management system
- Integrate a merged or acquired organization
- Consolidate operating companies
- Open new facilities or expand to new geographic or service areas
- Relocate major functions like headquarters or back-office operations
- Correct deficiencies in compliance, HIPAA and/or cybersecurity
- Address inadequacies in disaster recovery or business continuity planning



COVID-19 added a new dimension to operations and a new impetus for shared services. Many organizations today are struggling in the face of continuing pandemic-related challenges. Loss of customers, delays by suppliers, marketplace volatility, missing key workers, slow-to-collect receivables and pandemic-based restrictions are only some examples of the challenges. Whether they are trying to do pre-COVID business with fewer resources or they are looking for new efficiencies to offset new challenges, shared services may be one solution.

Moving to shared services can help an organization establish standards and harmonize policies and procedures. By reengineering how people perform work, automating repetitive steps where possible and balancing workloads across functional teams, shared services can provide a path to continuous improvement of service, higher value and a better employee experience.

Shared services differs from outsourcing or simply co-locating staff. It builds on or expands an internal service provider to eliminate redundancies, standardize processes and practices, and increase uniformity across an organization.

Areas to consider for HR shared services include:

- Employee data and records management
- Employee services (such as askHR)
- Payroll, benefits enrollment and administration
- Mobility-related services (especially in organizations where employee relocation is common)
- Leave administration

Organizations that have grown through mergers and acquisitions, where legacy HR mostly has stayed fragmented, are prime candidates for HR shared services.

The employee experience

Before moving too far forward with consideration of HR shared services, organizations should set their expectations regarding the employee experience. For any organization, what HR brings to the table is expertise and deep understanding and appreciation of the employees.

Balance is the key. Even if one or two catalysts listed above are the overriding drivers, the result should provide an employee experience that balances cost, quality/compliance, cycle times and scale/quantity. Overemphasis on any one factor can have a negative impact on the employee experience.

An effective HR function limits employee frustration and bolsters satisfaction and productivity. That's true for transactional services, such as benefits, or policy-driven services related to company protocols and procedures.

An effective HR function also paves the way for easier acceptance if you later expand shared services. That's typical when the initial implementation meets its goals well.



A methodology for designing the HR shared services model

To build the shared services model, follow a proven methodology like the one described in this article. It covers the entire lifecycle of the project, including further expansions and improvements over time. It consists of five phases:

1. Establish a baseline and create a shared vision.
2. Design the future-state service delivery model.
3. Build the future-state service delivery model.
4. Implement and roll out.
5. Optimize after rollout.

The methodology ensures that the workgroup or committee charged with the shared services exploration (and, ideally, the implementation) will have a tested roadmap to follow that makes sense.

Note that the five phases work equally well for a “new build” of shared services and for a major expansion of shared services already in place.

An early challenge in the process is getting the scope right. Understanding appropriate local knowledge and high-touch interactions, as well as other factors unique to each organization, helps to ensure a smoother transition to shared services. To put it simply, the best model is only a guide. It will fall short if applied without consideration of the current state and future (desired) state of an organization and the common experience of its people.



Phase 1: Establish a baseline and create a shared vision

This crucial first step involves capturing enough about how things currently work to make informed decisions about scope, employee experience and its impacts and current costs. Other activities include completing a SOAR analysis (strengths, opportunities, aspirations and results) and conducting stakeholder interviews and focus groups with employees and managers.


Baseline information needed in the **quantitative** discovery process includes:

- Identify and document manual and paper-intensive processes.
- Determine end-to-end ownership of processes as well as span of control.
- Verify skill levels of staff, especially of those who will take on new or larger roles.

At this point, assess technology integration and data-management practices. Last, but equally important, review and identify disparate policies and procedures. Standardize these, if possible, to avoid having the shared services center spend more effort than needed in inefficient ways.

This information gathering may seem like a parallel activity or process that is separate from any brainstorming the committee charged with the project does. But having it ready and complete is essential for the next phase. Here is where the committee matches the **qualitative** questions in the brainstorming exercise that revolve around what “could” work. This provides the improvements desired to the quantitative data to answer the question about whether the design and implementation of shared services “should” proceed.

The committee uses the quantitative data and qualitative information gathered to develop findings and recommendations for project sponsors. Sponsors provide top-level endorsements. They make the key investment recommendations or decisions about cost, scope, timing and impact. The sponsors, in turn, present the findings and recommendations to management to obtain approval to build and implement, which comes at the end of the next stage.



SOAR analysis is a design thinking approach. It's preferred to other methods because it focuses on positive aspects in place more than on weaknesses. It also provides an “outside-in” view by including stakeholder and customer perspectives.



Phase 2: Design the future-state service delivery model

This phase covers several critical steps:

- Select the scope.
- Determine the potential phases and staffing requirements.
- Design the overall structure of shared services (create the blueprint).
- Decide where to perform the work (at a single location shared services center or via a hub-and-spoke approach).
- Identify what's important to measure and why.
- Establish how the ongoing governance process should work.

It's extremely useful to create a governance structure at this stage rather than later, after implementation starts. At this point, it's easy to identify all of the measures and metrics. That's because the work plan stages the details of planned implementation. With these in hand, it's possible to better integrate operational aspects of shared services with protocols for resolving issues. Escalate any that cannot be resolved.

Remember to identify all stakeholders. They should include all of the roles noted in the accompanying sidebar.

Stakeholders are interested in the success of the project because it affects them or their areas within the organization. Some organizations may want to consider setting up detailed operating level agreements with these other internal business support functions (such as IT) as a way of documenting expected delivery and response times as well as promised allocations of resources for the build, implementation and operational stages.

Consider establishing service-level agreements with third-party technology and service providers. Such agreements will help ensure vendors have a stake in delivering needed services on time to keep the overall shared services plans on schedule.

Implementation planning involves creating a number of sub-plans — a rollout strategy and detailed process design, a technology integration plan, a facilities plan and, most important, a people (staffing) plan. The staffing plan may not involve new hires, but reallocating existing staff can bring additional challenges when those staff members' current duties need to shift to others.



Stakeholders in HR Shared Services

- Employees
- Senior management
- Leadership at individual locations
- Leaders of all HR functional areas (even those who are not directly part of the implementation of HR shared services)
- IT and cybersecurity management
- Finance (especially regarding project investments, budget and ROI)
- General administration (especially when location sourcing is required)

Phase 3: Build the future-state service delivery model

This is where you do much of the detailed work and set the stage for making lasting changes. During this stage, it is likely that the shared services team will expand significantly, activating those people identified in the design stage and assigning them their roles and tasks.

Since March 2020, there has been a marked increase in the number of employees working in virtual offices. It is likely many will continue that way either full time or in a hybrid situation.

Implementation of HR shared services can follow a similar model, but experience has demonstrated the effectiveness in co-locating service center employees. Unless it isn't feasible, the implementation should plan for service-center workspace development. That includes real estate, telecommunications and electronic communications, building security, office furniture and support services.

Consider both **what** you need to do and **how** you will do the work. The build plan must include:

- Process design and enablement
- Data conversions and management
- Policy and procedure harmonization
- Role (job) descriptions and staffing
- Technology enhancements and integrations
- Compliance and security infrastructure
- Financial management mechanisms

As none of these changes can happen quickly, a detailed transition plan will provide a roadmap with appropriate checkpoints.

Throughout the build stage, it is important to balance system and employee needs. Measure system effectiveness against whether the shared services prove to be faster, better and more cost effective. Employees will look for speed (related equally to ease), convenience and accuracy. Without these, employees may avoid using the shared services offered or be openly critical of them.

Successful implementation also takes into account culture, governance, technology and financial requirements. All of those areas affect the shared services model in different ways.

Finally, don't overreach in terms of scope, goals and timing. Failures more often come when there are too many additions to the day-one implementation. It's better to develop a plan with achievable timelines, to anticipate roadblocks and to build in likely contingencies.

Keep in mind that the shared services model can include opportunities to expand services over time.

Pre-launch testing may uncover aspects needing refinements. This also allows service center staff to become comfortable with applying training and finding answers in provided documentation and FAQs. The results of pre-launch testing will also provide insights to use when you start developing and fine-tuning the communication plan.



Phase 4: Implementation and rollout

At this point, if the project has been following the methodology, executing the transition plan should go relatively smoothly. Don't overlook or minimize change management and communications. The old adage that you only have one opportunity to make a first impression is true. Recognize that employees will approach the new HR shared services with some trepidation. Give them a positive (fast, convenient and accurate) experience. That will help them personalize how they use the service and, likely, will help build good word of mouth.

A good communications plan will help here. Communications should follow the tone and media familiar to employees. Consider ways to augment these with additional streams that highlight new or cutting-edge aspects. Remember to focus on what makes the change beneficial for the employees rather than for the organization.

Don't forget about the staff of the shared services center. They need to feel included so that they can share in the employee experience. They also need to be empowered so that they can be knowledgeable and confident in their actions when they help employees.

Before launching HR shared services, make sure to have in place knowledge transfer (including easily retrievable records that are current as of the change date) and governance processes.

On day one, start to collect metrics on use and acceptance as well as effectiveness. Compare them to the prior state. Apply additional scrutiny and measurement to the first 90 to 120 days. That can be an intense period as acceptance and use ramp up.

Good governance includes managing emerging risks to ensure success. Address items outside the project plan that might impede or derail success.

Key Implementation and Rollout Steps



Communicate



Involve and Engage Staff



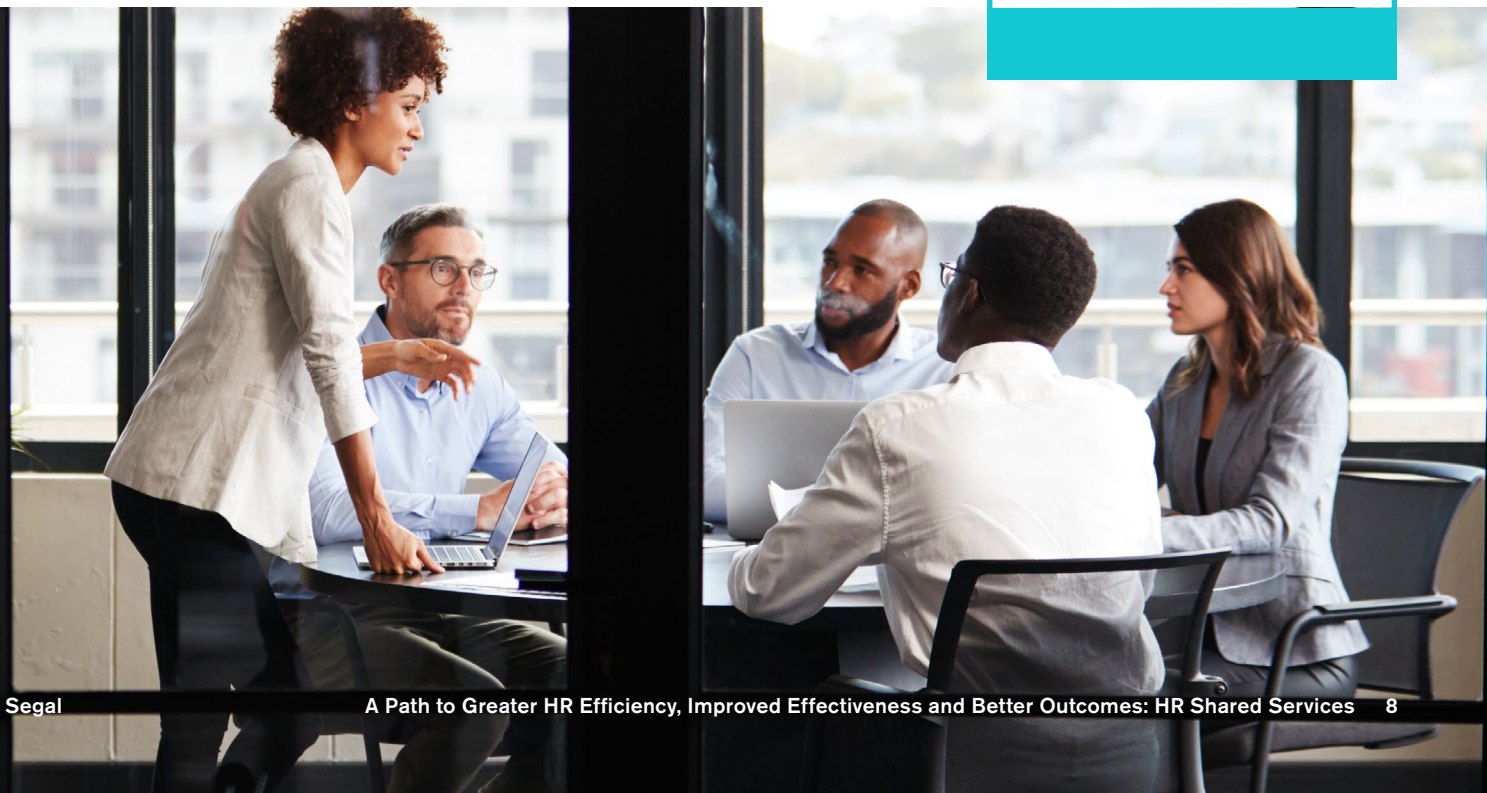
Transfer Knowledge



Establish Governance Processes



Collect Data



Phase 5: Post-rollout optimization

The three-word mantra at this stage is: Support. Refine. Repeat.

In the first three to four months, post-transition operations are critical to establishing or improving reputation as a service provider and business partner. For this reason, a portion of the team that designed and implemented the HR shared services needs to start assessing each phase.

Concurrently, in many cases, these team members shift from design/implementation roles to operational roles. They may stay permanently in those roles.

Customer feedback, through informal pulse checks, formal surveys and/or interviews, will provide acceptance metrics. Look for patterns, trends and exceptions. Address and resolve anomalies as quickly as possible.

Individuals who provide the most negative feedback are ideal candidates for one-to-one outreach. Communicate with all employees regularly to remind them of changes and to focus on improvements.

During these first few months, give stakeholders and sponsors frequent updates. Cover agreed-upon performance measures and planned refinements. Don't hesitate to ask for their help to overcome obstacles.

Consider benchmarking the performance of the new HR shared services against the original baseline as well as industry standards. That exercise helps establish a path for continuous improvement and prioritizing enhancements. This may mean making technology adjustments, realigning some HR shared services (and roles) and further refining processes, policies and procedures. If the original plan was to create a platform for adding services later, be sure to implement needed improvements before growing the suite of services provided.

Support > Refine > Repeat



Client Story: Implementing Shared Services in a Hospital

A university medical center needed to replace its system-wide enterprise resources planning (ERP) system, which included HR functions. Management sought more integrated (cross functional) and improved processes that would control costs, require less rework of basic processes and provide better end-to-end visibility. By using the same ERP system across all functions, management had set the stage for a shared services implementation in a parallel work stream.

Early in the process, the hospital identified these obstacles to the implementation:

- **Stakeholder alignment** — This included questions of ownership, budgets and reporting.
- **Spreadsheet-based legacy processes** — Eliminating these required one-for-one mapping to what would be available in the new system and services.
- **Fear of change** — Staff documented aspects that they needed to start doing, those that they should stop doing and those that would continue.
- **Staff conditioned to accept people-based processes** — The plan was to expand the use of employee and manager self-service.

The project had five phases. In phase one, the team completed an assessment of the current state and developed a vision for the desired future state. Phase two involved process and organization redesign. Phase three brought those tasks to life with configuration, testing and implementation. A staggered rollout and optimization of workforce administration and payroll, total rewards administration and communication, talent management and overall analytics followed in phase four. The hospital completed the first four phases on schedule within two years.

Executive sponsors were pleased with the results. Employee satisfaction scores increased by more than 25 percent compared to the previous systems, and use of self-service rose by 200 percent. Further, the cost to serve lowered by 30 percent by consolidating vendors and leveraging spending.

Phase five is currently underway. It is focusing on continuous improvement.

The team implemented ongoing cross-functional governance in three areas: strategic, tactical and operational. To help avoid wading through unnecessary reporting, measurements emphasize only a few vital metrics. The team also made a commitment to what was dubbed “root-cause analysis” — a process that goes deeper than simply addressing obvious superficial changes without looking at what lies beneath the surface.



Beyond a successful implementation

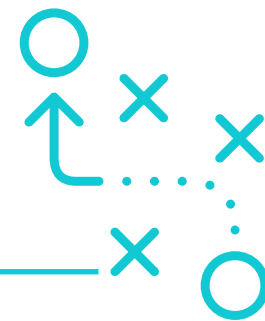
It is helpful to think of implementation of HR shared services as a path rather than an endpoint. How far along the path an organization moves depends on where it starts and how far it is willing to go.

Reducing costs and improving service quality and consistency are steps common to most consolidations of services and are the traditional focus. It's possible to achieve these outcomes — through better vendor management, staffing assignments and employee tools —without exploring the full potential of shared services, but doing so leaves many opportunities on the table untouched.

If you think of the potential for major impact and benefit to an organization as a continuum, shared services can overlay that continuum. We call that approach shared services maturity.

Organizations can have more than one of these five levels of shared service maturity concurrently:

- 1. Traditional consolidation** — This level reduces costs, improves quality and better leverages spending on salaries, technology and/or office space compared to the state before consolidation. It does not necessarily improve service.
- 2. Reengineering through additional efficiencies and risk mitigation** — Here, technology plays a greater role. You may apply workflow automation, robotic process automation and artificial intelligence, integrated document management technology and business process redesign.
- 3. Optimized rightsizing** — At this level, shared services begin to run “like a business.” This is often where business leaders' perspective changes from “addressing what was needed” to “how much further this can go?” See the sidebar for some of the decisions typically explored at this level.
- 4. Strategic enablement** — Two hallmarks at this level are staff cross-training — where staff can move between functional areas to address seasonal or other shifts in demand — and deeper reliance on analytics to forecast demand, improve function and build capability. To support a more fluid shared services staffing model and leverage the analytics, this level involves more self-service capabilities. It also monitors their use as well as employee perceptions of the ease and functionality.
- 5. Extended value creation** — This is the highest level. The key to achieving it is transforming the HR shared services function into a profit center for the organization. You can accomplish this in several ways. You might extend the HR service center to other business units within the organization. Some organizations can also extend HR shared services to other companies owned within an umbrella organization, such as those within a private-equity company's portfolio. An organization can market HR services to other organizations. Profits can fund and fuel additional expansions and improvements in services and/or add to the organization's revenue.



Rightsizing Considerations

- Outsourcing high-volume administrative activities
- Creating centers of excellence for specialized roles
- Establishing and reporting service-level agreements, operating level agreements and key performance indicators
- Formalizing governance
- Engaging business leaders more in the process (and benefits)

As implementation of HR shared services rises through those levels, the value to the organization can increase in several ways. The scope and/or degree of services can improve. The model can expand to encompass functions beyond the initial build specifications.

Why Shared Services Maturity Matters

The value of shared services increases based on the program's maturity.



Source: Segal, 2021



The transition to shared services can be worth the effort

Shared services can dramatically improve processes or transform business functions. There's value when an entire organization leverages resources to lower costs, become more efficient and improve customer service, organization and employee outcomes. Shared services can also set the stage for more streamlined and effective mergers, acquisitions or consolidations.

While a shared services implementation has the potential to benefit both the organization and the employees, the effort to implement it well is significant. However, if the assessment of the current state shows enough potential — or if internal or external forces require significant changes to meet evolving needs — the investment in a well-designed and responsive shared services model may prove to be more than just a viable answer for the short term. Rather, it may be what you need to enable and support future strategies and initiatives.

Questions? Contact us.

If you have questions about HR shared services and how your organization might benefit from implementing that model, get in touch with the author:



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