



LACE
Partners
Ltd.

HR Shared Services Trends 2022 Report



HR on the Offensive

FUNDAMENTALLY DIFFERENT

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How is the HR shared services landscape evolving in the post pandemic world?

As a boutique HR transformation consultancy, LACE Partners is passionate about innovation.

We launched our first, dedicated HR shared services whitepaper¹ in 2020 as part of our 'HR on the Offensive' campaign. Our objective at the time was to understand if, and how, shared services leaders were challenging the status quo. The past two years have seen unprecedented challenges for businesses and individuals alike, particularly resulting from the COVID-19 pandemic. HR, arguably more than any other function, has been at the heart of managing organisations' responses. Two years on, this survey seeks to delve deeper into what's changed, the new priorities which are emerging and the enablers for success.

Our 2022 trends survey builds on our original question set but importantly tests some new hypotheses, with a deeper dive into areas such as: service scope, continuous improvement, experience and, in particular, talent.

Experience continues to remain a top priority for HR shared service leaders, underpinned by operational efficiencies and further automation of processes. But it's not just the employee (customer) experience which leaders are focusing on – the line manager experience and the experience of HR shared service teams themselves is becoming equally as important. Investment in, and optimisation of, digital enablers remains an underling enabler of success but it's not seen as the key driver. Organisations have evolved and adapted their structures and ways of working through the pandemic, challenging the traditional model of co-location. They recognise the ongoing need to invest in skills and behaviours relating to continuous improvement and customer service, and are exploring non-traditional routes for sourcing talent into their teams.

The strapline of our 2020 report was 'becoming people experience and solutions experts'. This year's survey shows that HR shared service leaders are embracing the challenge and doing exactly that.

¹LACE Partners (2020). The Future of HR Shared Services: Becoming People Solutions & Experience Experts



About the survey: respondent profile



Responses from HR shared services leaders across 44 different global businesses



The majority of organisations (82%) employ up to 50,000 employees, with 61% of total respondents operating in the private sector.



HR shared services was part of a Global Business Services organisation (GBS) in a quarter of organisations. This is up on 2020, where it was 12%.



Less than 40% of organisations have three or more 'centres' or 'hubs', which is similar to the 2020 respondent profile. However, the proportion of those with a local in-country model only is over double (18%).



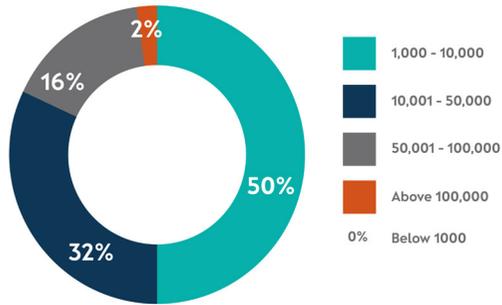
For most organisations, the average tenure of HR shared services teams is between three and five years.



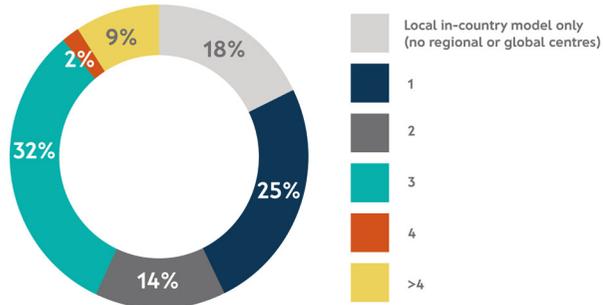
Less than one in four organisations were still utilising on-premise ERP HR solutions (18% compared to 36% in 2020); most had now made the journey to the cloud.

Methodology: We developed an online survey covering four core topic areas, in addition to current and future priorities overall. We sent this survey only to HR shared services directors from global companies, thereby keeping the respondent profile at a senior, strategic level. We received responses from leaders across 44 different global businesses, almost doubling our 2020 respondent profile.

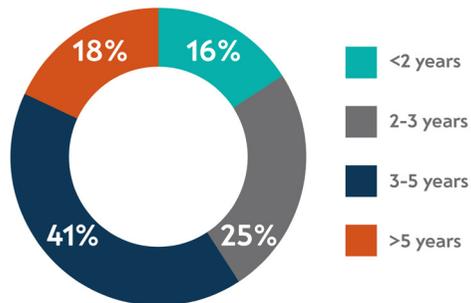
Organisation size



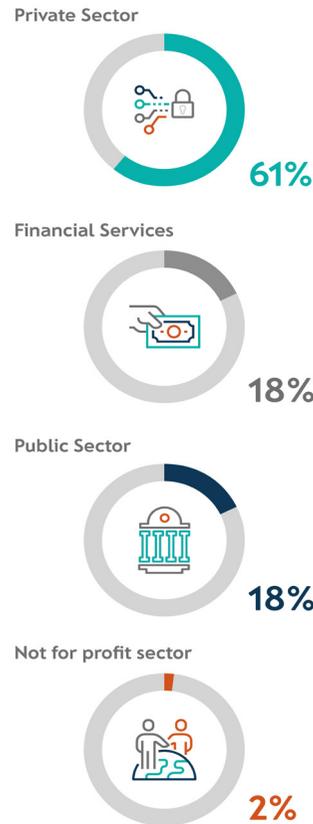
Number of HR shared service 'centres' or 'hubs' per organisation



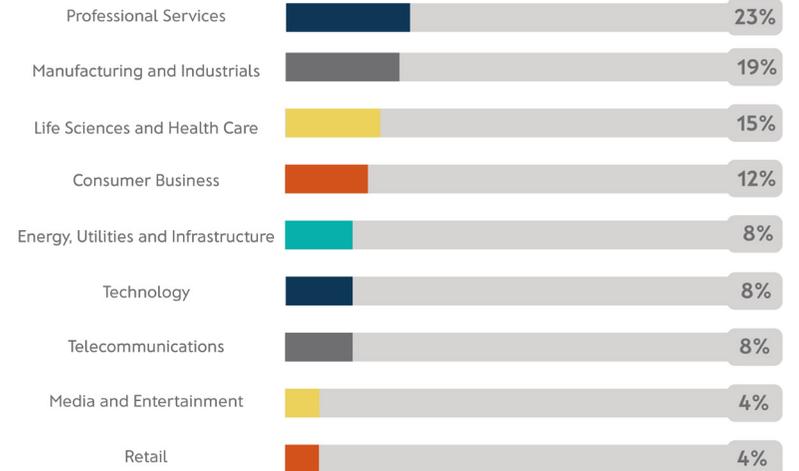
Average length of tenure across HR shared service teams



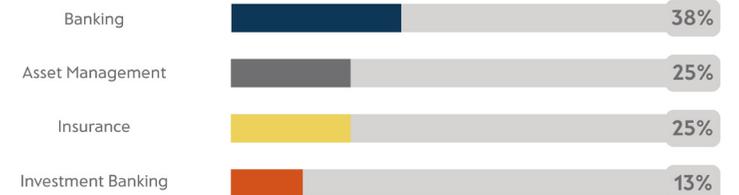
Industry Sector



Private Sector



Financial Services





Key findings

Service offering and client centricity



- HR shared services continue to push into more **specialist, business advisory areas** such as people insights and people manager advisory / coaching
- The use of **outsourcing remains selective**, with limited appetite to increase in the next 12-24 months
- We're **embracing 'contact your way'**, with most organisations using between two and four channels
- The **line manager experience** is becoming as important as an employee's experience, although less than half of organisations have a dedicated employee experience role / team within HR.

Structure, governance and continuous improvement



- Typically **up to 50% of HR full time equivalent (FTE)** sits within the responsibility of HR shared services
- There are **polarised approaches to co-location vs virtual teams**. Has COVID forced us to think differently about the HR shared services delivery model?
- Organisations are shifting focus to **measure and quantify experience** alongside operational effectiveness, but progress is slow with little change since 2020
- **Continuous improvement** remains HR's achilles heel, with only just over half of organisations having any mechanisms in place.

Capabilities, behaviours and talent



- **Continuous improvement and customer service** are the top priorities for skills and behaviours
- Whilst **HR qualifications are not a prerequisite for HR shared services jobs**, there's still a tendency to look within HR for talent vs beyond
- New joiners from non-HR backgrounds most frequently come from **Customer and Operations**
- Organisations are investing in the development and retention of their HR shared services teams through initiatives such as **flexible working, skills development programmes and spot 'thank you's over monetary initiatives**.

Digital enablers

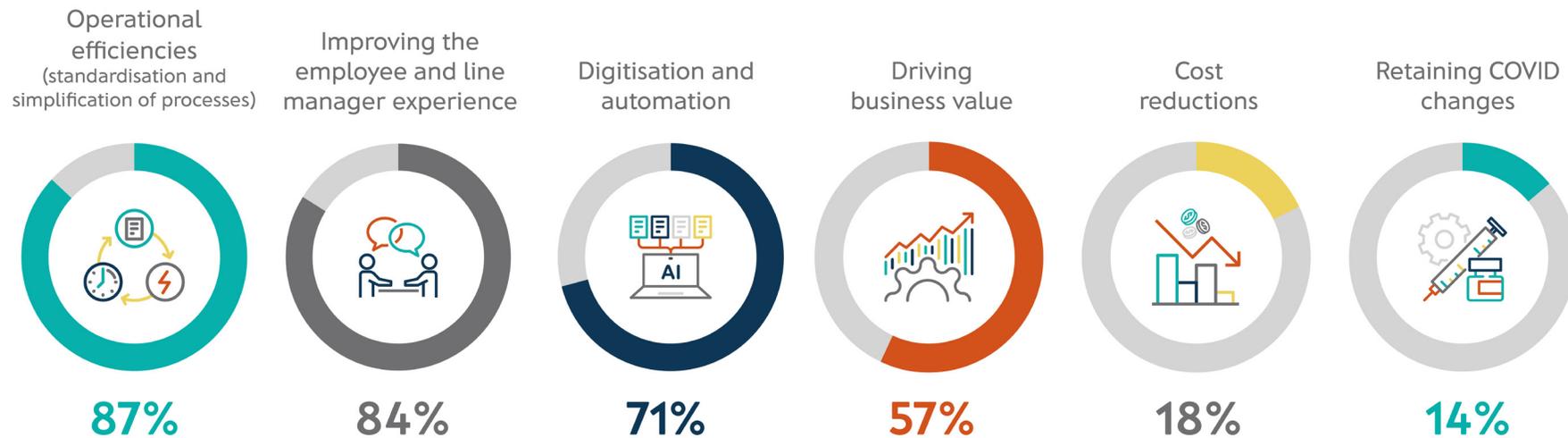


- **Investment in service delivery technology is more important** than vertical/best of breed solutions
- The most commonly used service delivery technologies remain **reporting and analytics tools**
- **Use of 'chat' technology** (live chat and chatbot) has almost doubled since 2020 but **knowledge management and document management** has decreased significantly
- **AI remains an opportunity** for HR to further explore.

Strategic priorities



What are the main objectives for HR shared services leaders over the next 12 months?



The top priority for HR shared services leaders remains delivery of operational efficiencies. This is perhaps not surprising given this is the underlying premise of establishing shared services and the organisational pressures that COVID-19 has put on businesses. However, this does not necessarily translate to a focus on cost reduction, with this coming near the bottom of the list (only 18% said this was their main objective).

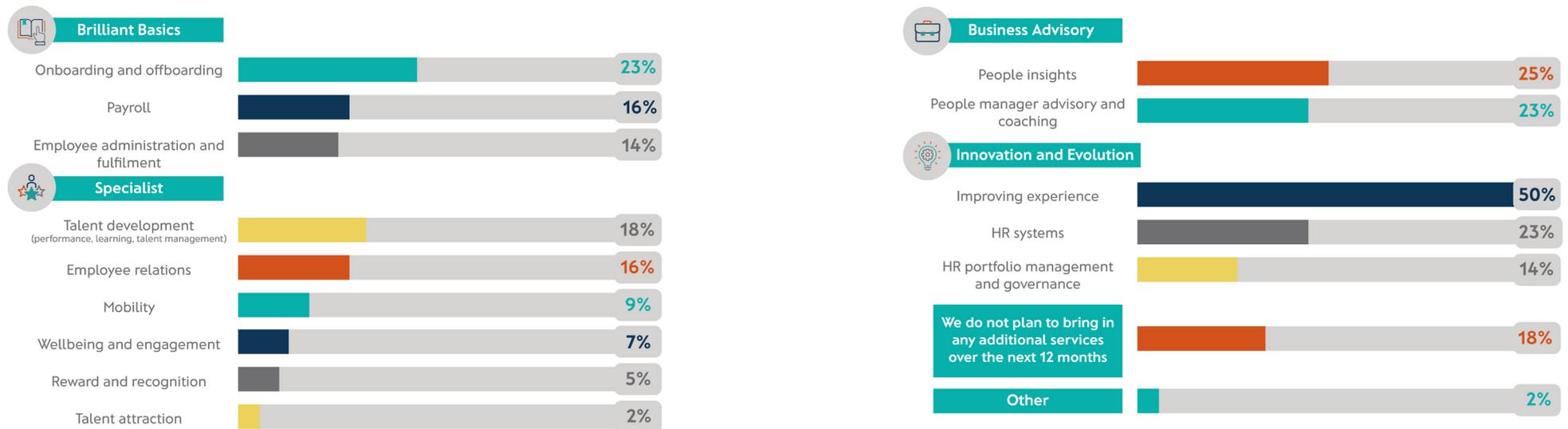
In line with the overarching finding in 2020, focusing on improving the employee and line manager experience remains a critical focus, enabled through standardisation and simplification of processes and further automation.

Service offering and client centricity



HR shared services continue to push into more specialist, business advisory areas

New services to be brought into the scope of HR shared services in the next 12 months

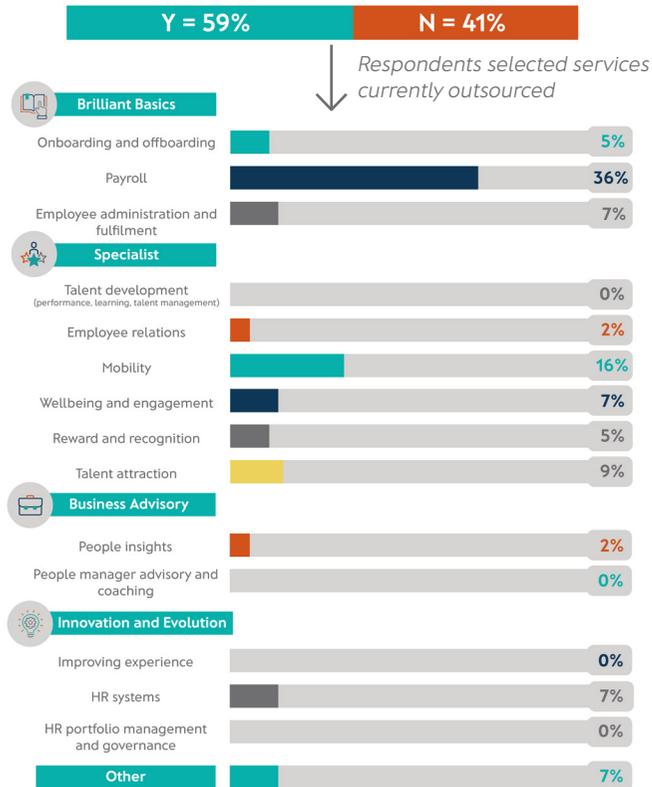


82% of organisations plan on expanding their current service offering over the next 12 months. The top five areas were: improving experience (50%), people insights (25%), people manager advisory and coaching (23%), onboarding and offboarding (23%) and HR systems (25%)

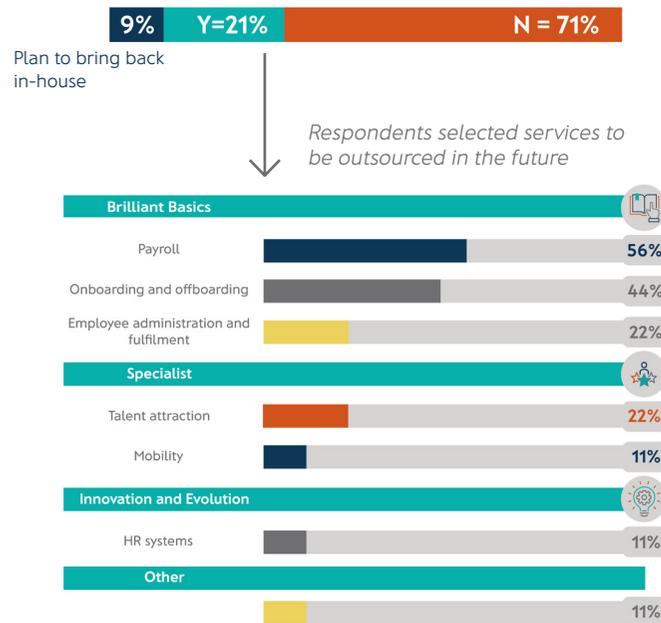
- The scope of HR shared services continues to remain broad, with some organisations supporting non traditional activities such as: GDPR and compliance, fleet management (four organisations, all private sector), health and safety, property and workplace experience.
- In line with one of the top strategic priorities being improving the employee and line manager experience, half of HR shared services leaders plan on bringing experience into their remit – **this is by far the most significant area of service expansion in our survey.**
- **25% plan to bring people insights into the scope of HR shared services within the next year.** Given that insights provide a window into the underlying drivers of experience (and we know business leaders are more demanding than ever for insights), this is encouraging to see. Linked to this, data interpretation and analysis was cited in the top three skills for success (see the chapter on digital enablers).
- Over a third (39%) of respondents cited at least one area under ‘specialist’ services as a potential new offering for them in the future.

The use of outsourcing remains selective, with limited appetite to increase in the next 12-24 months

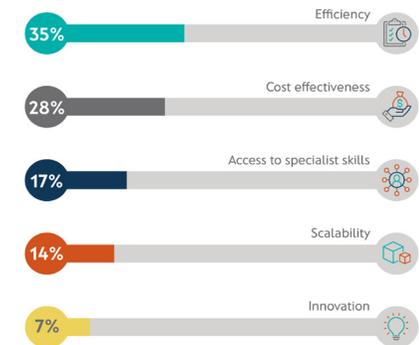
Do you currently use outsourcing providers as part of your HR service delivery model?



Do you have plans to further outsource services in the next 12-24 months and if so, what service?



If some of your HR services are outsourced or will be in the future, with is the primary driver?

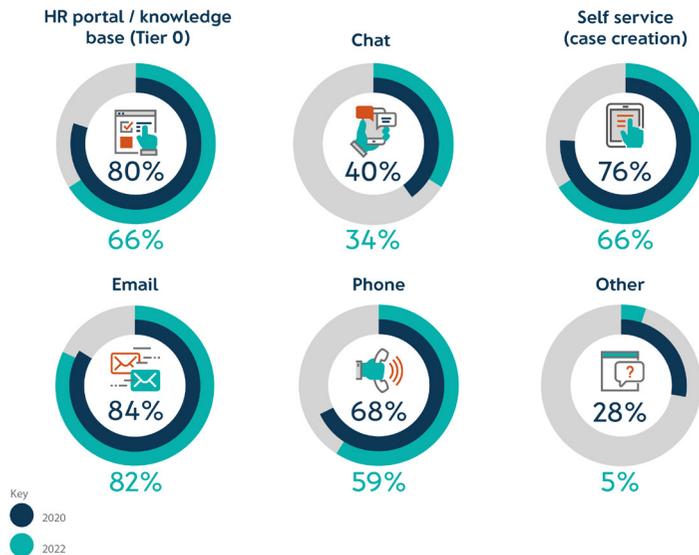


Respondents could select one option only from the above list

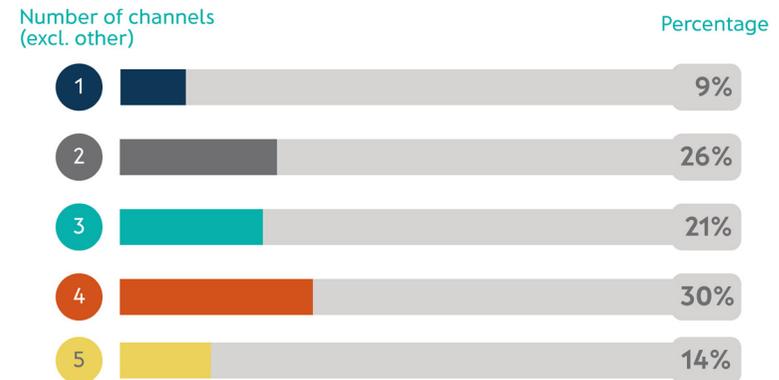
- Current use of outsourcing remains selective, with payroll and mobility the most commonly outsourced areas in HR shared services. Traditional drivers of efficiency and cost effectiveness are still the most popular reasons for outsourcing.
- The proportion of organisations using third parties to support their service provision in 2022 is slightly up at 59%, whereas in 2020 it was 44%. However, whilst this is an increase (likely to be in part attributed to the larger respondent set in this year's survey), there are no signs of a major trend shift - less than a quarter (21%) of respondents said they had plans to further outsource in the next 12-24 months.
- Where organisations were bringing services back in-house from third parties, this was for services such as onboarding, payroll occupational health and mobility.

We're embracing 'contact your way'

What channels are available for employees to access HR?



Overall number of access channels available for HR services

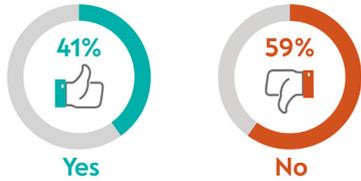


In our first report (2020), we talked about creating an omni-channel approach which is flexible and feels personal yet is standardised – i.e. ‘contact your way’.

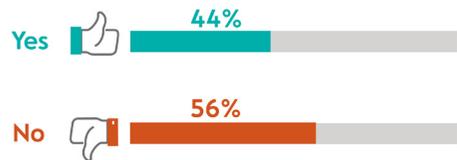
- Email continues to be the most commonly used access channel for HR services, followed by Tier 0 (either self-resolve through accessing HR content on a company portal, or through raising a query online).
- Most organisations use between two and four channels (excluding ‘other’, which respondents noted as face-to-face).
 - 30% of respondents use four channels, embracing the ‘contact your way’ principle.
 - Across both surveys, around half of organisations used up to three channels, with a 10% increase in the overall number using four (from 20% in 2020 to 30% in 2022).
- Whilst there has been an increase in the number of channels offered, specific channel usage has decreased since 2020 across all dimensions. ‘Chat’ includes chatbots/live chat. Given the switch to remote working through COVID-19 and an increasing shift in preferences around customer-contact to mirror the consumer experience, it is interesting that usage is not higher in this year’s data.

The line manager experience is becoming as important as an employee's experience

Do you have a dedicated employee experience role/team within HR?



If so, does this role/ team sit within the reporting line responsibility of HR shared services?



What experience journeys will you be focusing on improving over the next 12 months?



Respondents were allowed to choose multiple answers for these questions.

After operational effectiveness, improving the employee experience continues to be the top priority for HR shared services leaders over the next 12 months. Yet less than half (41%) have a dedicated role/team focusing on this within HR, so this remains a real opportunity and gap to be closed.

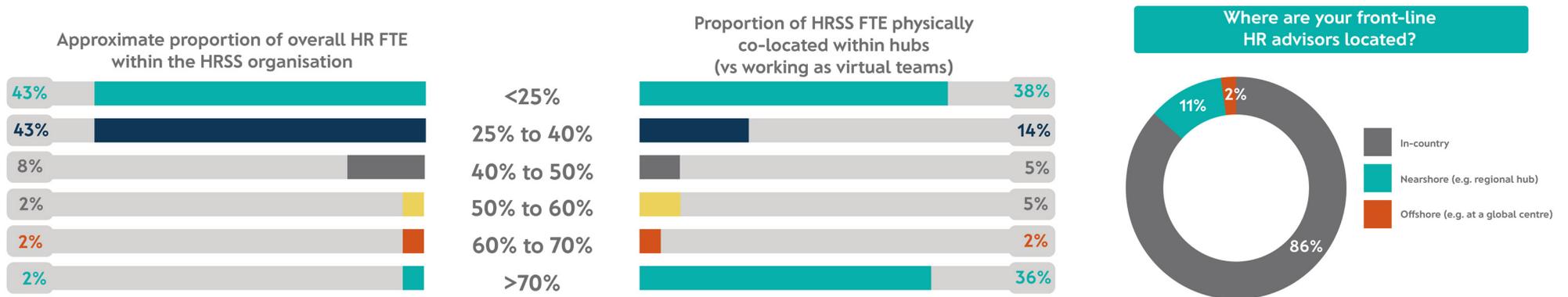
In 2020, every respondent agreed that service excellence (i.e. putting ourselves in our customers' shoes and ensuring they have a 'great' experience of HR service delivery) was HR shared services' 'north star'. Two years on, we wanted to explore the specific areas organisations were looking at to improve the employee experience.

- 'Support and enable me' and 'welcome me' are the top focus areas for employee journeys. 'Support and enable me' covers areas such as feeling connected, proving the right information in the moment and life milestones. This is against the backdrop of an unprecedentedly competitive external talent market in Q1 2022, at the time the 2022 trends survey was conducted.
- 'Manage and support my team' is the top line manager journey focus area. At the heart of this journey is coaching line managers on how to have challenging but supportive conversations with their teams, such as managing performance issues, grievances, emotional life milestones and even saying farewell to create a lasting, positive impression.
- Only two respondents did not have any plans at all to focus on specific experience areas (either employee or line manager). Neither of these organisations had a dedicated employee experience role/team within HR.



Structure, governance and continuous improvement

Polarised approaches to co-location vs virtual teams. Has COVID forced us to think differently about the HR shared services delivery model?



- **Up to 50% of overall HR FTE sits within the responsibility of HR shared services** across respondent organisations. There were no notable variations by industry sector or organisational size.
- **There is no 'one size fits all' model or clear trend.** For example, whilst less than 40% of organisations have three or more 'centres' or 'hubs', of these approximately a third have less than 70% of HR shared services FTE physically co-located within the hubs, whereas nearly half (47%) have up to 40% of FTE physically co-located.
- **The trend to have front-line HR advisors located in-country and proximate to employees continues.** Of the 11% who said their advisors were based nearshore, **one organisation had plans to change that model** and bring services in-country in the next 12-24 months.

Organisations are shifting focus to measure and quantify experience alongside operational effectiveness, but progress is slow

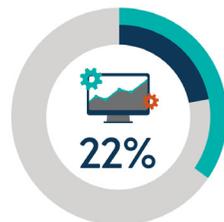
How do you measure service effectiveness?



Operational measures



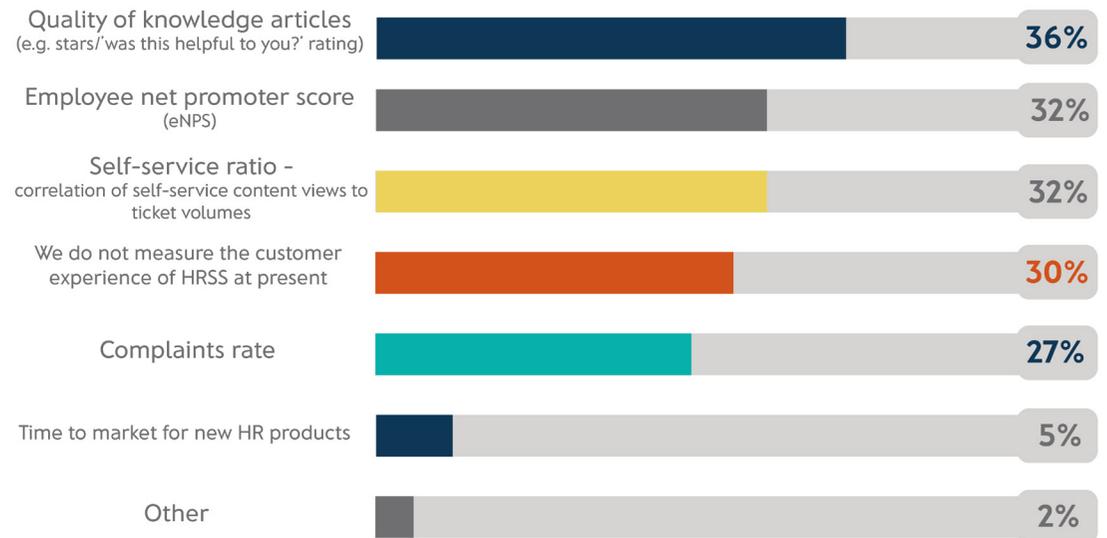
Employee experience measures



eNPS as explicit measure

Key
 ● 2020
 ● 2022

Experience measures



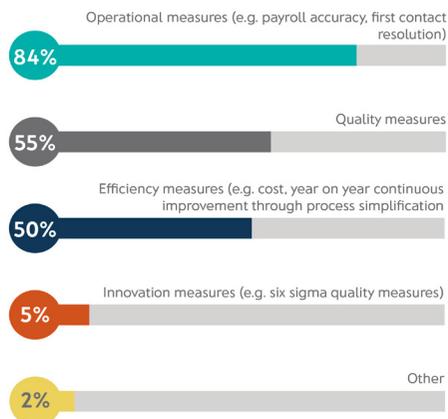
Respondents were allowed to choose multiple answers for this question.

Almost a third (29%) of respondents do not currently formally measure service effectiveness at all. This is similar to 2020.

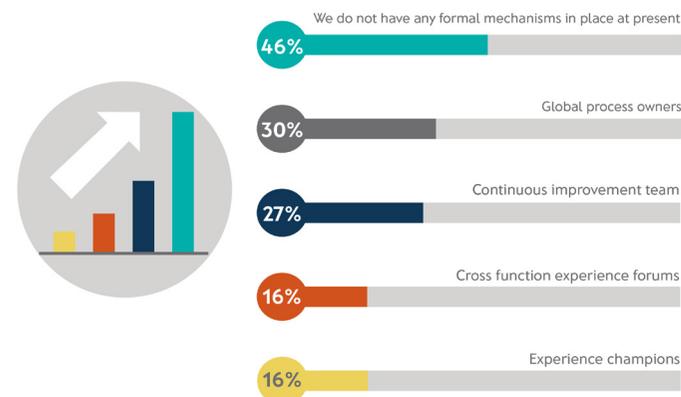
- Traditional operational measures of service effectiveness remain important but this is becoming increasingly balanced with experience measures.
- The use of experience performance indicators (EPIs) (items such as those in the image on the right) was up slightly in 2022 compared to 2020, alongside a 10% increase in the use of eNPS as an explicit measure.
- 42% of the organisations who used experience measures used at least two experience measures cited in the example list. Only 12% used four.

Continuous improvement remains HR's achilles heel

How do you hold your third-party providers to account for the quality of service delivery?



What mechanisms to support continuous improvement do you have in place?



Respondents were allowed to choose multiple answers for this question.

Operational measures were also the most frequently used governance mechanism for managing third party supplier relationships, with 84% of respondents using them.

- Whilst 16% of respondents said they did not use operational measures, they did focus on quality, efficiency or innovation (three quarters of them used efficiency measures, for example).
- Respondents were split roughly 33% each across the use of one, two or three measures.
- One organisation cited 'other' which they said was quantitative feedback. It was the only mechanism used by that organisation for vendor management.

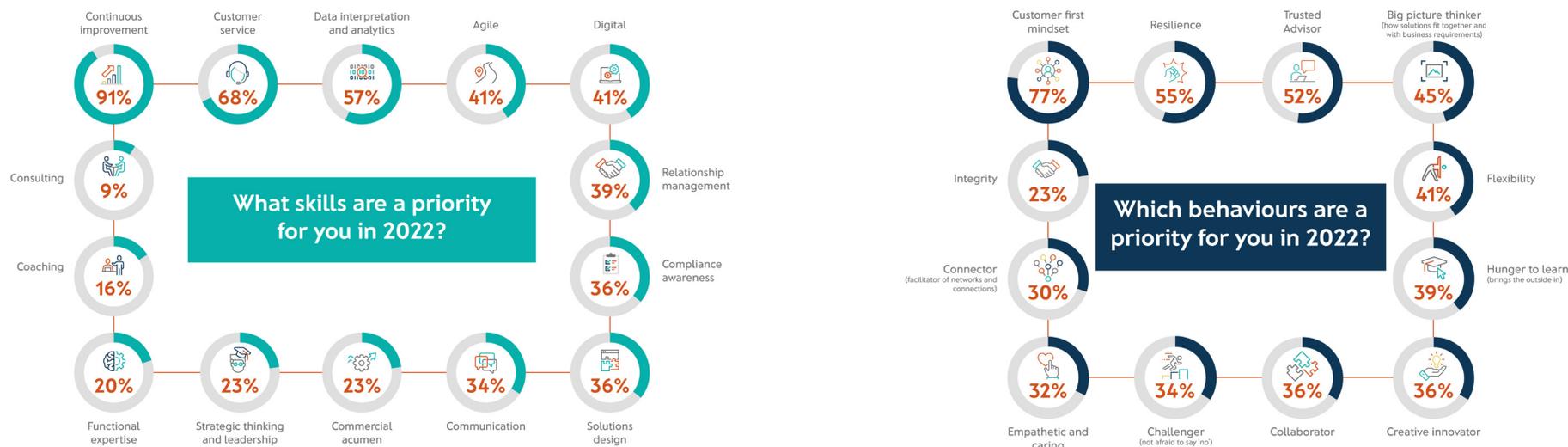
Operational efficiencies was cited as the top strategic priority for HR shared services leaders over the next 12 months. Continuous improvement would typically be an enabler of this. Yet only just over half (54%) of organisations said they had any mechanisms to support continuous improvement in place.

- Of this 54%, half stated one of the mechanisms in our example list. Only three had three measures.
- **Global process owners and continuous improvement teams were the most popular mechanisms.** When considered as a percentage of the respondents who did have formal mechanisms, their usage represents 59% and 55% respectively.



Capabilities, behaviours and talent

Continuous improvement and customer service are the top priorities for skills and behaviours



Respondents were allowed to choose multiple answers for these questions.

The top three priority skills for 2022 mirror the top three focus areas for HR shared services over the next 12 months:

1. **Continuous improvement** = operational efficiencies (standardisation and automation of processes). Overwhelmingly the top skill priority for 2022, with 91% of respondents citing it. This is interesting in the context of the fact that only just over half of organisations (54%) said they had any formal continuous improvement mechanisms in place currently (see 'structure, governance and continuous improvement')
2. **Customer service** = improving the employee and manager experience
3. **Data interpretation and analysis** = operational efficiencies and digitisation and automation.

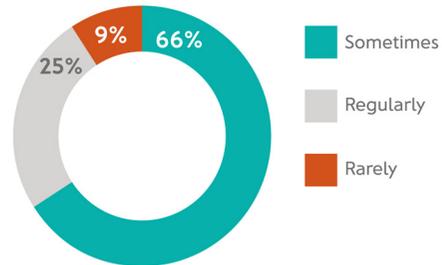
These three skills were also in the top three in 2020, although customer service was ranked third behind data interpretation and analysis.

Behaviours and mindset are equally important as skills. The magic combination of the 'what' and the 'how'. As such, we asked a specific question linked to behaviours in this year's survey. A mindset topped the list of priorities – customer first (77%). Behaviours of resilience and being a trusted advisor completed the top three focus areas on this dimension.

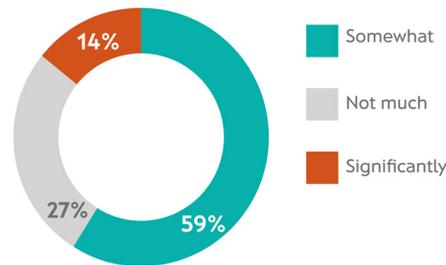
Some behaviours which could be arguably linked to fostering a culture of continuous improvement didn't appear as important: hunger to learn (bring the outside in) and creative innovator. Perhaps this is because they are seen to be relevant to specific roles more than others or HR shared services as a whole.

Whilst HR qualifications are not a prerequisite for HR shared services jobs, there's still a tendency to look within HR for talent vs beyond

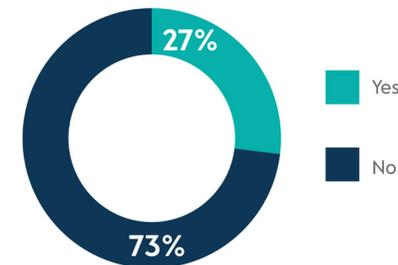
How often do you source talent from non-HR backgrounds into your HR shared services teams?



To what degree do you see this needing to change in the future?



Is having an HR qualification a prerequisite on job descriptions for your HR advisors?



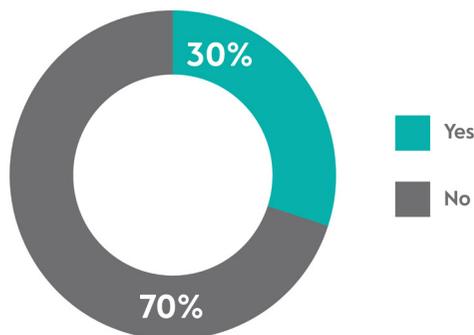
If you bring in talent from non-HR backgrounds, where have your new joiners come from over the past 12 months?



- 25% of HR shared services leaders said they **regularly source talent from non-HR backgrounds** into their HR shared services teams, mainly from areas such as **Customer and Operations**. All but one organisation said they had looked beyond HR for talent in the past.
- The **majority (59%)** felt that the overall sourcing strategy only needed to **change somewhat in the future**. As a reflection, the top five skills of continuous improvement, customer service, data interpretation and analytics, agile and digital have not traditionally been seen as 'HR' skills (although there is a recognition that they should be, as per this survey), therefore posing questions around both future sourcing and talent development strategies.
- When it comes to the skills and experience vs qualifications debate, **most HR shared services leaders (73%) do not feel that an HR qualification is a prerequisite** for an HR advisor role.

Are we really doing enough to support the development of HR shared services teams?

Do you have defined career pathways for your HR shared service teams?



In 'HR on the Offensive'² we found that only a third of organisations had a strategic learning intervention in place for building HR capability. In our 2020 HR shared services report, all participants shared a vision that HR shared services becomes a promoter of talent and is seen as a destination for the best and the brightest. However, two years on, 70% of HR shared services leaders said that there are no defined career pathways for their teams.

Given that shared services teams typically have higher attrition rates than other parts of the organisation, in this year's survey we delved into what initiatives leaders were deploying to support development and retention:

- **Flexible working arrangements** were the **most popular initiative**, followed by skills development programmes, spot 'thank you's and subsidising professional development / education
- **Less emphasis was placed on monetary incentives** such as performance related pay and retention bonuses (43% and 16% respectively)
- **Just under a third (30%) of respondents offered secondments outside HR shared services.** When reflecting on the stated priorities of building continuous improvement and customer service skills (see earlier in this chapter), perhaps this is a missed opportunity.

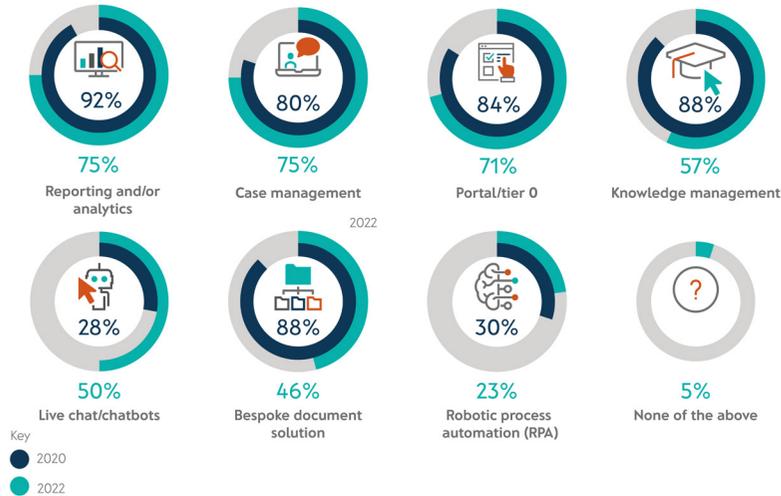
²LACE Partners (2019). HR on the Offensive

Digital enablers

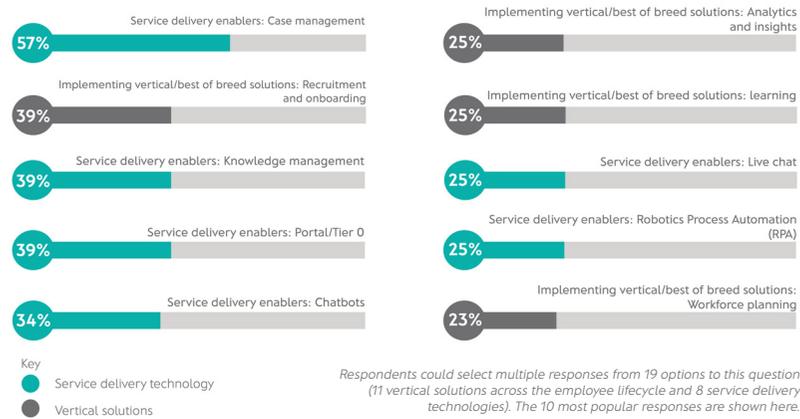


Investment in service delivery technology is more important than vertical/best of breed solutions

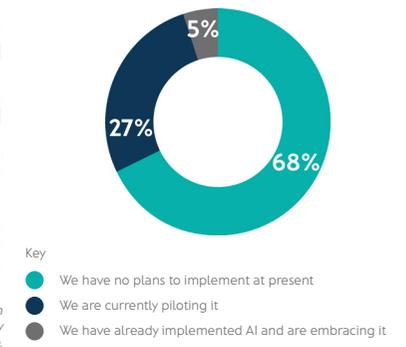
What service delivery technologies do you use?



If you are making an investment in technology in the next 12 months, where will you be focusing?



How do you see your use of artificial intelligence (AI) across your HR processes evolving over the next 12 months?



The most commonly used service delivery technologies remain reporting and analytics tools. Chatbots (AI) and RPA remain at the bottom of the list.

- 75% of organisations use reporting and/or analytics tools, with just over half (52%) using both to provide insights. Of the 11 organisations who said they planned to bring people insights into the scope of HR shared services over the next 12 months, three of these organisations did not have any underlying enabling technology to specifically support this.
- There was a significant difference in the proportion of organisations using knowledge management and document management enabling technologies in 2022 vs 2020 – an average decrease of around a third.
- Overall use of ‘chat’ (live chat and chatbot) technology has almost doubled since 2020, although its usage as a contact channel has not significantly changed (as mentioned the chapter on service offering and client centricity) and the use of chatbot (AI) technology remains low (21%).

Service delivery technologies make up four of the top five future investments in HR technology that HR shared services leaders will be making over the next year. Recruitment and onboarding was the priority vertical / best of breed solution for investment.

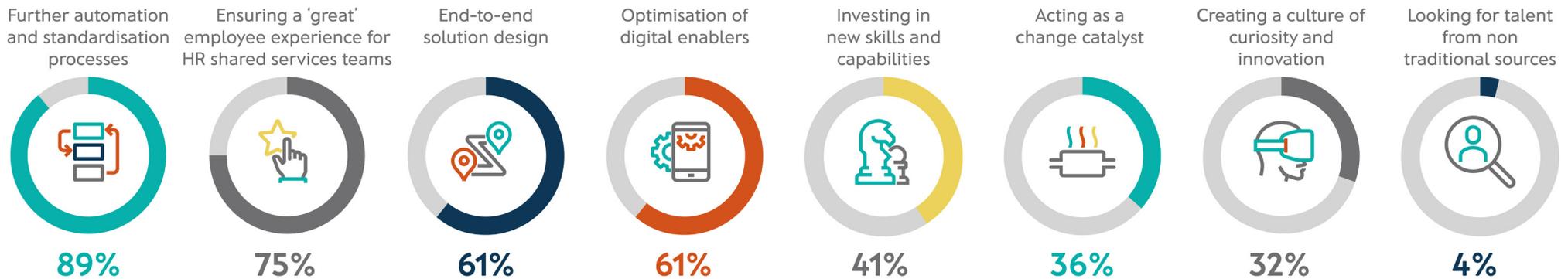
- All of the organisations who were currently on premise in the respondent data set said they planned to move to the cloud in the next 12 months (a total of eight).
- In 2020, the top two priorities for investment in service delivery technology were case management and knowledge management/Tier0. This is consistent in 2022.

AI remains an opportunity for HR to further explore. Only 32% of respondents were piloting or embracing AI. This is the same as two years ago, where 32% of organisations said AI was a priority for their HR technology roadmap.

Looking ahead



What do you think will be critical to success over the next 12 - 24 months?



The top three enablers of future success were: further automation and standardisation (86%), focusing on the experience of the HR shared services teams (75%) and end-to-end solution design (61%).

When digging deeper into the area of talent, almost all organisations (89%) said this would be critical in some shape or form over the next 12 - 24 months - i.e. either ensuring a 'great' experience for their HR shared services teams, investing in new skills and a capabilities or looking for talent from non traditional sources.



Conclusion and reflections

HR shared services organisations continue to push into more specialist, business advisory areas and explore new avenues for sourcing and developing talent. But are we being bold enough?

Area	Service offering and client centricity	Structure, governance and continuous improvement	Capabilities, behaviours and talent	Digital enablers
Provocative and reflection questions	 <p>If you don't yet have an insights team within your HR shared services organisation (or Global Business Services, if people insights sits there), you're missing a trick.</p> <p>The business now expects insights driven HR and people decisions. What is your action plan?</p> <p>If you don't have a dedicated employee experience role/team within HR, who is ultimately driving this agenda forward within the organisation?</p> <p>Are you focusing enough on the line manager experience?</p> <p>Could you be getting more value from your third party relationships?</p> <p>How are they helping drive competitive advantage? Efficiency of service delivery is a given. But what about experience and innovation?</p>	 <p>It's not about where someone is based, but the value that individual brings to the team.</p> <p>Are you designing teams around outcomes?</p> <p>Are you clear on the roles which would benefit from being co-located vs ones which are location agnostic?</p> <p>How are you creating a sense of community in a virtual world?</p> <p>If you don't continuously improve on the KPIs/SLAs you report on, why bother?</p> <p>Critically evaluate your approach to 'success measures'. Link back to business objectives and problem statements. What measures will demonstrate the value of HR shared services in your organisation's context?</p> <p>Recognise the importance of continuous improvement and prioritise. If it's being done side of desk, is it really being doing properly?</p>	 <p>You cannot afford not to have a strategic development intervention in place for your HR shared services teams. Their experience matters!</p> <p>When was the last time you asked your team what 'development' means to them and what they would most value?</p> <p>Given that everyone's career and aspirations are different, should the focus be on career conversations vs formal career pathways?</p> <p>Inspire teams. Share examples and success stories. Shake up any status quo perceptions.</p> <p>Prioritise investment for all teams in the critical skills of continuous improvement and data interpretation, along with shaping a customer-first mindset.</p> <p>Continue to challenge traditional sourcing strategies for talent and bring the outside in.</p>	 <p>Technology is an enabler of an experience, not the solution.</p> <p>Have you exploited the full capabilities of the investments you've made?</p> <p>If an HR portal / knowledge base (Tier 0) is a core access channel, are you making it as easy and intuitive to use as possible?</p> <p>Don't just buy a system because of what it can do for you today; understand its future, near term potential.</p>

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