

Using Shared Services to Drive the HR Operating Model of the Future

by Zachary Friedman and Eser Rizaoglu



As HR leaders worked to drive functional efficiency and effectiveness due to pressures from the pandemic, many turned to HR shared services. Learn how HR shared services can be utilized to drive the operating model of the future by achieving a greater division of strategic and operational activities.

As a result of the COVID-19 pandemic and the subsequent downturn in the economy, many HR leaders faced sudden cost optimization

pressures that spurred transformation initiatives within their HR structure and service offering. Half of HR leaders we surveyed in June 2020 said they were fast-tracking initiatives to HR shared services to optimize cost. Seventy-nine percent of these HR leaders also indicated they view shared services as one of the main vehicles for achieving their function's goals.¹ Cost efficiency remains a major driver of this expansion, but other goals of shared services are becoming more prominent, such as enhancing service quality, the employee value proposition and the customer experience.

One way HR leaders are driving these optimization goals and improving service delivery is by clarifying the division of strategic and operational tasks within the HR structure, which has been a key pain point for many HR functions. The growing remit of shared services, in combination with other changes in the business environment, make a compelling case for a holistic restructuring of the HR function.

Shared Services' Responsibilities Are Increasing

The unclear division of responsibility can be seen in Figure 1. Within five categories of HR operational activities, responsibility for executing these activities is split among shared service centers (SSCs), the HR team (i.e., non-SSC HR such as HR business partners [HRBPs] and centers of excellence [COEs]) and finally, business process outsourcing (BPO) providers.

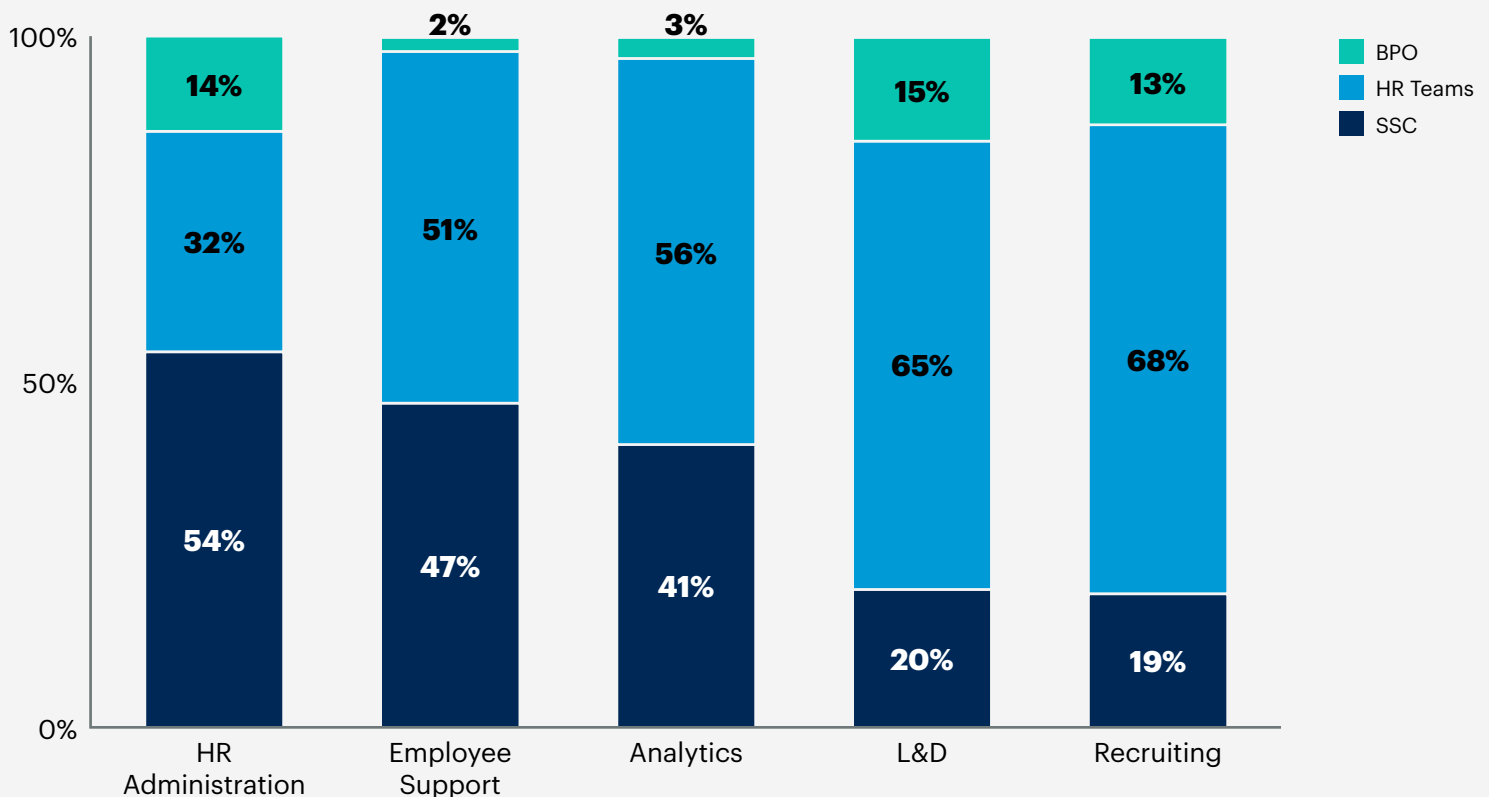
As the figure shows, many operational HR activities that are most suitable to be fully owned by shared services are still falling onto HR teams outside of SSCs. However, as HR leaders look to increase the utilization of shared services to drive their service delivery effectiveness, they plan to

shift responsibility for executing the following three activities to shared services in 2021:

- Analytics
- Employee data and document administration
- Employee support

For HR leaders, the main goals of this shift include a greater focus on improvement and innovation, increasing automation, a greater focus on core HR activities for HRBPs and COEs, and optimizing customer satisfaction and experience. As for the expected cost of the shift, the majority of participants said it would remain cost-neutral or result in savings of less than 20%. Most importantly, even if cost savings remain small or neutral, HR leaders expect the impact of service quality to increase as a result.¹ (For more detail, see *How to Improve HR Workload Distribution Using Shared Services Centers*.)

Figure 1. Average Distribution of Responsibility of Operational HR Activities



n = 65

Source: 2020 Gartner HR Shared Services Head of Function Survey

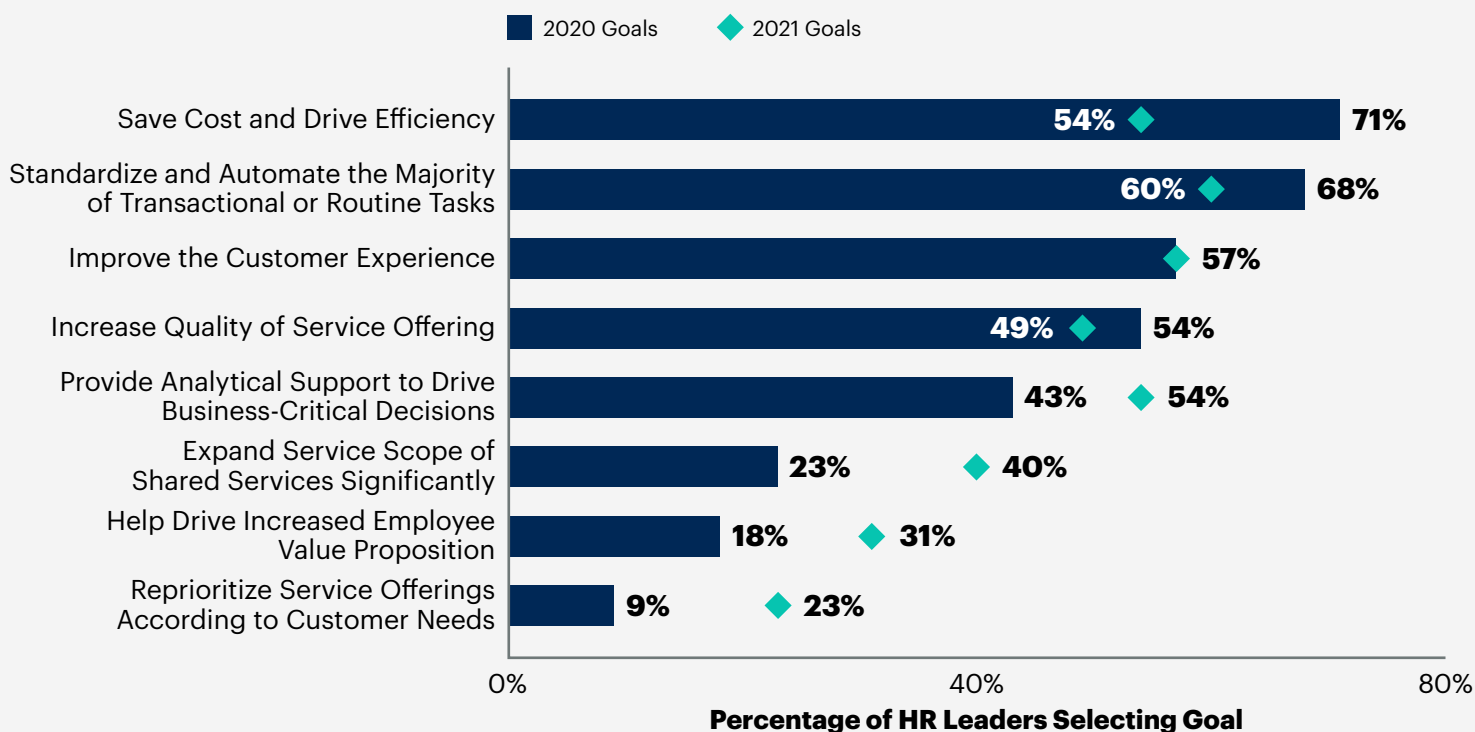
HR Shared Services Goals in 2021

Over the past 12-18 months, HR leaders have been largely focused on goals of efficiency and quality, which they agree they have successfully achieved. These goals remain prominent in 2021, especially with increased cost pressures arising from the economic downturn. However, additional goals are rising in prominence for HR shared services this year (see Figure 2).

The focus on these emerging goals in 2021 will allow HR shared services to increase its scope, taking on more transactional activities from other parts of HR. It will allow for greater service quality and customer centricity, due to increased capacity through automation and standardization. This will help HR achieve a more effective division of strategic and operational tasks within HR as outlined in Gartner's The HR Operating Model of the Future.



Figure 2. 2020 and 2021 HR Shared Services Goals



n = 65, multiple response allowed

Source: 2020 Gartner HR Shared Services Head of Function Survey

Restructuring the HR Function to Drive Operational Efficiency

To help respond to these challenges of increasing cost pressures and the need to separate operational from strategic work, we have developed a vision of a future HR operating model that drives operational efficiency through the evolution of shared services into a comprehensive HR operations and service delivery team (see Figure 3).

Our HR operating model of the future is driven by new roles that help separate operational and strategic work and promote operational efficiency and strategic impact:

- **Strategic Talent Leaders** — Senior HRBP-level thinkers who tackle the most pressing talent opportunities and challenges throughout the organization
- **The HR Problem-Solver Pool** — A dynamic pool of HR staff deployed to the most pressing challenges of the function based on business need
- **Next-Generation COEs** — A slimmer, more agile group of subject matter experts who facilitate HR projects and provide relevant expertise for solving customer challenges

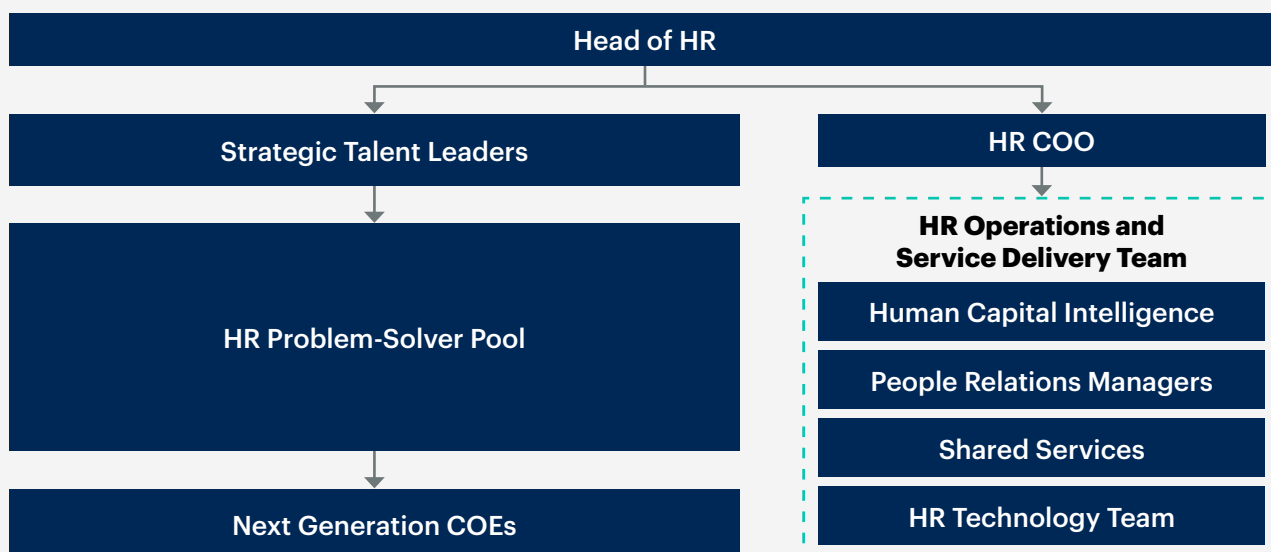
- **The HR Operations and Service Delivery Team** — A technology and analytics-driven team that acts as a centralized, dedicated group servicing employees and managers with the proper infrastructure and support to effectively carry out their day-to-day challenges

To focus on improving the capabilities of shared services and its operational impact, consider building an HR operations and service delivery team. Below, we will take a deeper look into this team's roles as well as how they drive a more efficient and responsive HR function.

Create an HR COO Role for Strategic Oversight

An HR COO specializes in the day-to-day administration and operation of the function and in particular, how the function supports the business. Responsibilities for the HR COO include optimizing technology and talent data, automating HR activities and maintaining the relationships among HR roles or teams to collaborate effectively and agilely. This role effectively serves as the function's operational eyes and ears, working closely with the head of HR.

Figure 3. The HR Operating Model of the Future



Source: Gartner

Evolve Analytical Capabilities With Human Capital Intelligence

In our vision of the future, we believe the proper infrastructure for data and analytics will be necessary to drive strategic decision making and efficient implementation.

With human capital intelligence (HCI) as a cornerstone, the HR operations and service delivery team constitutes a more integrated and mature evolution of the current HR shared services model in terms of its overall value to the business and how it serves customers:

- HCI serves its customers in new ways by providing targeted and advanced analytical support to enhance employees' and managers' strategic capabilities.
- Instead of simply streamlining operations and reducing cost, HCI is most efficient when fostering a more collaborative partnership with the business, as opposed to a single-use, more transactional approach.
- The HCI function is customer-centric, flexing its priorities and service offerings as manager and leader needs change.

Employee and manager self-service may be maintained within HCI, but hands-on support and longer-term project support are critical HCI capabilities. HCI may even perform individual, longer-term project work to support individual managers and leaders with complex data needs. For instance, HCI may be consulted to source new ways to measure employee engagement and model different scenarios to maximize engagement throughout the organization. HCI projects are targeted to enhance the strategic capabilities of the business, analytically aligned with business needs.

Add People Relations Managers to Provide Necessary Functional Support

To address employees' and managers' most urgent needs, HR should add a centralized pool of people relations managers to the HR operations and service delivery team. People relations managers own much of the work that was formerly owned by HRBPs, including

compliance and employee-relations issues, such as mediating workplace disputes, harassment claims or other legal matters, as well as people manager support responsibilities such as people management coaching. People relations managers are a key role in supporting the workforce and ensuring employees are engaged, productive and happy.

By handling much of the transactional work originally done by HRBPs, people relations managers play a critical role in ensuring strategic talent leaders thrive — allowing for more space and time to focus on innovation.

Maintain Shared Services but Aim to Automate

As part of the HR operations and service delivery team, shared services can partner with the HR COO, HCI and the HR technology team to ensure solutions for the workforce are strategically aligned, cost-effective and scalable. This approach includes automating more shared services tasks and expanding manager and employee self-service to drive fast, relevant solutions and improve the end-user experience.

The size of the shared services center may vary depending on the staffing levels of the HR operations and service delivery team; namely, HCI for analytical insights and people relations managers for employee relations and managerial support.

Build an HR Technology Team to Own Technical Infrastructure

Finally, to take advantage of the increasing need for automation and analytics, HR should develop a dedicated and sophisticated HR technology team. Although tech expertise may not currently reside in HR, it is increasingly important to prioritize, since HR cannot function without a robust technology team. Centralizing the HR technology team will make it more accessible and aligned with HR's specific goals and processes.

¹ 2020 Gartner HR Shared Services Head of Function Survey.