

2013

Human Resources iQ: Best Practice Benchmarking for HR Shared Services



This report by Human Resources iQ shares insight into your peer organizations' strategic management of the HR Shared Services function. Learn how progressive practices are necessary for HR professionals to improve service delivery to both employee and customer.

Best Practice Benchmarking for Strategic Management

HR Shared Services has increased in popularity over the last 10 years as organizations realize the potential to streamline their enterprises and cut costs. This trend was accelerated toward the end of the decade ending in 2010 when the economic downturn struck. Figures released by the Shared Services Institute (SSI) in 2010 show that HR Shared Services start-ups in the United States have increased by 39 percent since 2007.

"HR Shared Services is experiencing a second surge in popularity that appears to be quite strong," the report said. These HR Shared Services were said to be as "unique and varied as the organizations they serve," however some clear trends are continuously emerging.

After several years of the Shared Services function in many organizations remaining static and unchanged, the past few years have been a whirlwind of transformation. With so many changes and variation in the way HRSS procedures can be carried out, it's important for organizations to stay on top of their contemporaries' processes and techniques for making the most out of their Shared Services.

This report by HRIQ is supported by audience participation and two years of research from Towers Watson. A pool of 74 respondents HR Shared Services professionals (managers, directors, VPs and Presidents) were surveyed over a 4 week period in February-March 2013. It is designed to give readers insight into what their peers and competitors are doing in their organizations with regard to their Shared Services centers of excellence.

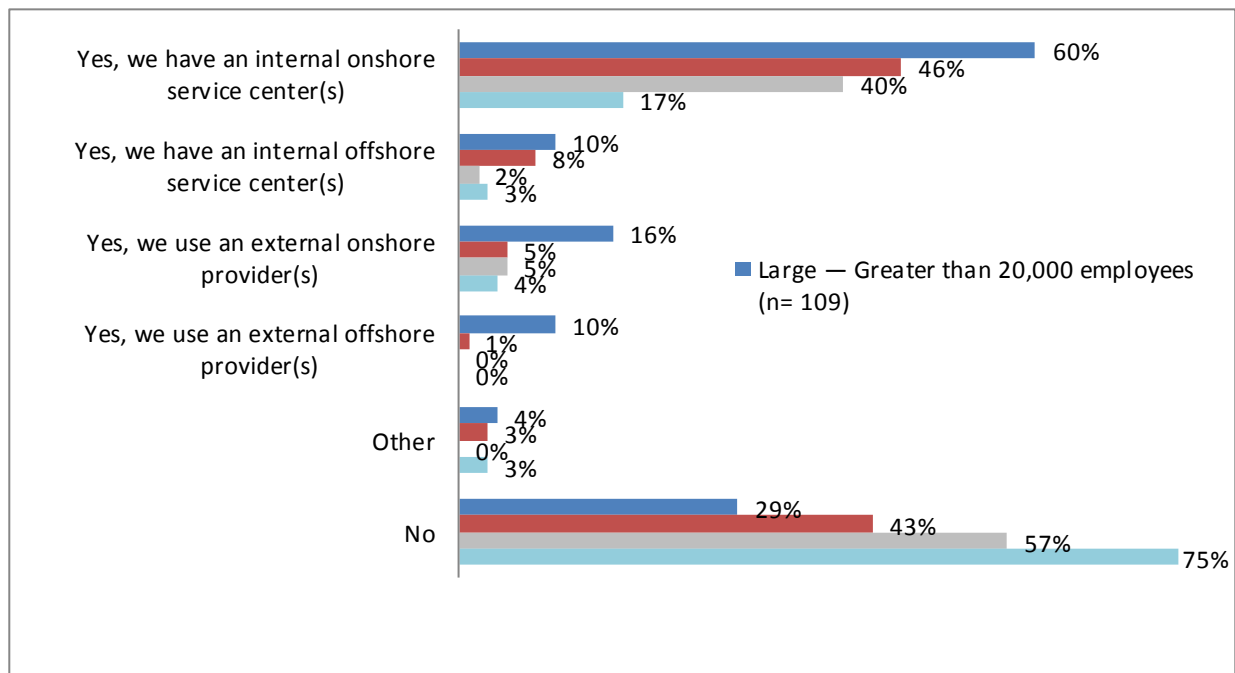


Figure 1. Source: Towers Watson 2012 HR Service Delivery and Technology Survey

Establishing a Baseline of Performance

Respondents were asked to describe how their organizations provide a basis (the raw data) that can be summarized and /or leveraged to satisfy requests for performance data. Some of the surveyed organizations collect this data by comparison, either to other organizations or to previous years' data.

Other organizations calculate new Key Performance Indicator (KPI) data with programs such as QlikView, or other targeted, task-specific apps that allow business users to combine multiple data sources and provide instantaneous answers to questions. In this scenario, several systems are used, so it is easier to calculate KPI. In some instances, satisfaction and people engagement surveys are also deployed.

For some companies, the raw data is provided through reporting CSV files (comma-separated values) that can be downloaded from certain Shared Services platforms.

According to 2012 Towers Watson HR Service Delivery survey results, HR has big plans to make structural changes, continue investing in technology and align the function with business goals. Forty-four percent reported that they planned to change their HR structure in 2012 or 2013, an increase from twenty-six percent the previous year. Towers Watson suggests that this is due to both "push" and "pull" initiatives:

"Technological advances are providing the push. To meet continuing pressures to be more efficient and effective, organizations are taking advantage of much that the constantly changing technology and delivery landscape has to offer.

Advances such as software-as-a-service (SaaS) are simply impossible to ignore. Conversely, those maintaining the same HR structure as five or even three years ago risk missing various opportunities to realize new efficiencies."

Figure 2 shows the most common anticipated changes to the HR Shared Services department.

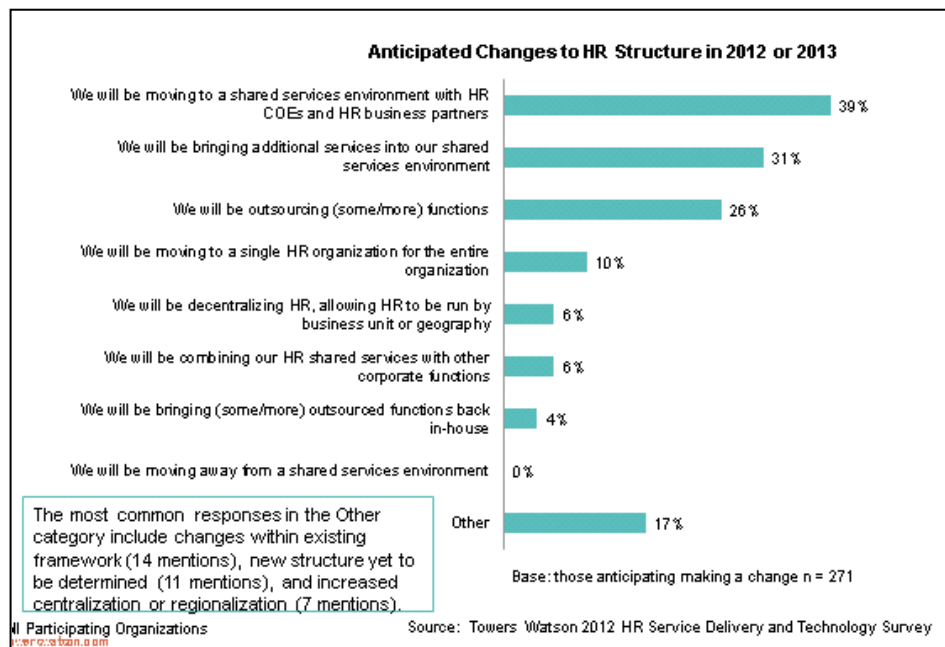


Figure 2. Common anticipated changes.

Identifying Performance Gaps

Identifying performance gaps and improvement opportunities in your Shared Services center is key to ensuring optimal performance.

Many organizations use the Plan, Do, Study, Act (PDSA) cycle, by the NHS Institute for Innovation and Improvement, to test ideas by creating a temporary trial of a change and assessing its impact.

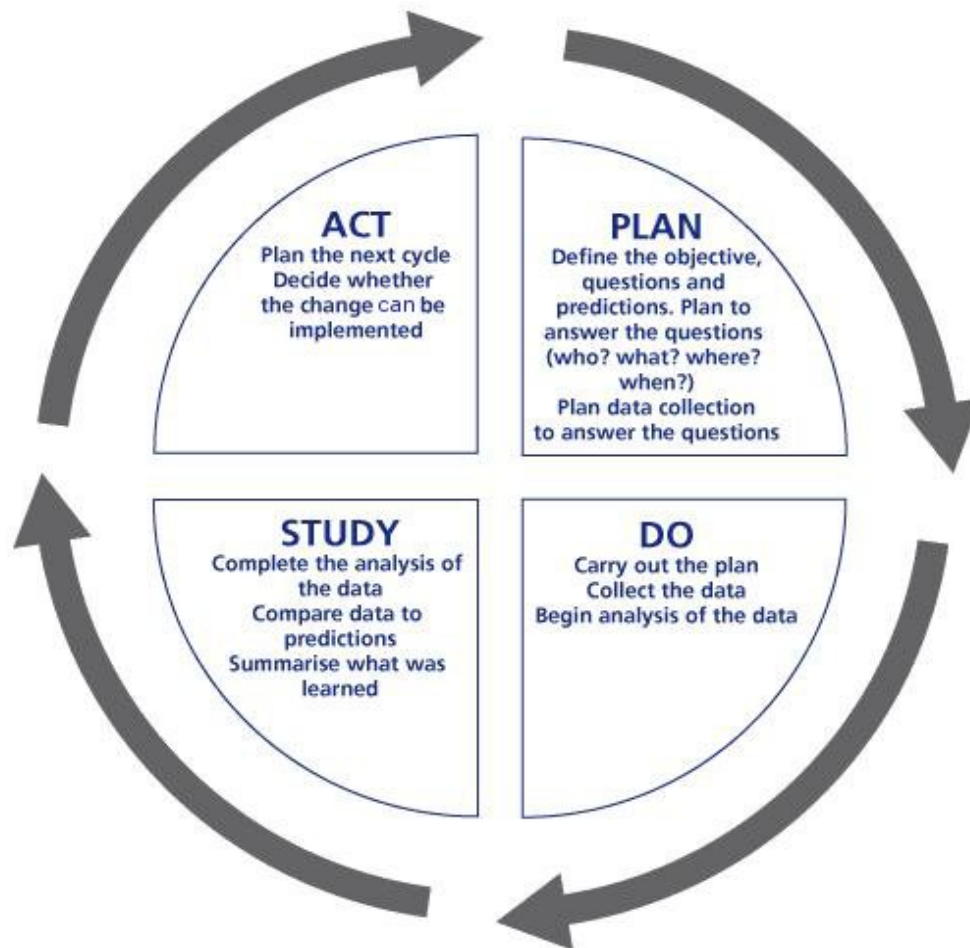


Figure 3. Source: institute.nhs.uk

The four stages of the PDSA cycle are as follows:

Plan - the change to be tested or implemented

Do - carry out the test or change

Study - data before and after the change and reflect on what was learned

Act - plan the next change cycle or full implementation

Case Study: How Changing Processes Can Create Value

“One example is moving to front end scanning (versus back end scanning of documents) and processing from dual monitor images. This eliminated the need to print documents and then chasing down documents that had not been scanned after processing. We refer to this change in process as paperless payroll process. Provides for tighter internal controls and workflow management as well as cost savings.

Another example is utilizing case management system to track the workload. Each document or Payroll notice received from the field is received by our Operations team who uploads or scans into our Document repository system a case is created and assigned to the group responsible for processing (payroll, HR, Benefits, Pension, etc.) The individual coordinator or specialist takes ownership of the case and completes the data entry using dual monitors and thus eliminating paper printing. Once the data is completed, notes are entered in the case management system and the case is closed. This process is much more efficient for workflow purposes, provides instant details on where any-one transaction is in the process, provides opportunity for reporting on SLAs, volume and workload by group.

Electronic W2s available through employee self service is another example. This year we launched the ability for employees to elect to receive their 2012 W2s via employee self service instead of a printed copy mailed to their home. The W2s were available on line at least one week before any were received via US Mail. The roll out was considered a success as there was a 34% enrollment. This resulted in less calls to the service center asking for duplicate copies and cost savings to the company overall.”

-Isabel Torres, Manager, HR Shared Services & Payroll, Navistar

Other measures cited included comparing differences amongst countries and business entities; checking costs. It was also noted that most of the performance gaps identified predominantly falls in the areas of notification and compliance.

In order to be more efficient and meet demands, organizations are planning structural changes. “Among organizations planning HR structure changes for the year ahead, improving operations is a major theme. A significant majority (64 percent) want to realize further efficiencies, while others are looking to capture synergies across processes and investments (54 percent), improve quality (51 percent) and reduce costs (46 percent),” according to Towers Watson’s 2012 HR Service Delivery and Technology Survey Executive Summary Report.

Identifying Benefits

Organizations must determine appropriate performance targets in their centers of excellence. HR Shared Services professionals were surveyed regarding how their organization supports the preparation of business cases for change.

A common practice reported in the HRIQ survey was cross-functional teams and strategic planning of meetings with key leaders. Others stated that typical targets were set in the service-level agreement, and score cards are becoming increasingly popular. Additional targets were set by managers to improve the results of work and split of these responsibilities.

Other professionals reported determining appropriate performance targets through trending analysis. “We monitor the data entered at the end user level and over a range of time; quarterly or annually,” according to one Director of Human Resources.

Identifying Best Practices

More than half of HRIQ’s own survey participants reported benchmarking their organizations best practices in Shared Services against peer organizations. Sixty percent surveyed measure and compare current performance with peer organizations.

There are several ways in which this is achieved: Benchmarking Best in Class, comparing costs of operations (booking one invoice/ payment, etc.) with benchmarks, and networking with

other local HR Service Centers are all examples given by respondents. As one HR Director responded, “We reach out to customers who purchase materials from us and from our competitors and ask them to provide us with feedback.”

HRIQ surveyed Shared Services professionals regarding their thoughts on what have been the most successful HR Shared Services implementations in your organizations over the last few years.

The top responses collected are as follows:

- Online Applications
- Self service features for benefit enrollment, requesting leave and making changes to personal data.

Towers Watson confirms that having a self-service portal is of paramount importance to many organizations. Sixty percent of organizations offer an HR portal to both HR and employees. Twenty percent are working to develop one — and fewer than one in five had no portal plans at all.

HRIQ also asked participating organizations to identify the best practices that they plan to implement, which they have learned from other companies in the past year:

- Annual People Plan
- KAIZEN methodology (*practices that focus upon continuous improvement of processes*)
- Consolidation of all core functions from a central group.

It seems that outsourcing is becoming an increasingly popular practice amongst organizations. Those using outsourcing jumped to twenty-six percent from seventeen percent the previous year in Towers Watson’s annual study. “We believe that this spike can be attributed to niche and single-function outsourcing, which can be highly effective for specific processes that require highly specialized, sustained expertise. Among the activities effectively outsourced can be pension, payroll, health and savings plan administration, relocation administration and other highly transactional activities,” said the research organization.

Measuring Success

According to another Towers Watson Survey, the 2011 HR Shared Services Survey, the top reason why organizations created their HR Shared Service operation was to “eliminate the distraction of administrative and transactional HR work to focus on more strategic work.” Fifty-four percent of all respondents polled attributed this as the top reason their HRSSO exists, followed by operational cost savings (53 percent).

How are organizations today quantifying and reporting the success of their HRSSO in order to continue making a business case for Shared Services?

The most common measure of calculating the cost per number of employees serviced during a calendar year reported to HRIQ was *indirect cost and direct costs* divided by *FTE and PTE* (Full Time Employees and Part Time Employees).

Talent management remains the top HR Shared Service Delivery concern, according to the 2012 TW survey. Furthermore, this remains an issue regardless of the size and location of the organization. “We believe this is due to continued demographic shifts that are changing the composition of the workforce and impacting employers’ ability to attract, retain and engage top employee talent and ultimately propel their businesses forward,” said Towers Watson. But the way in which this is measured varies greatly depending on location. “Almost one-third (32 percent) of Asia Pacific and European organizations said they measured program effectiveness, but less than 20 percent of organizations in other regions said they did. This suggests a more rigorous process in Asia Pacific and EMEA.”

Figure 4 shows a comparative analysis of general operating metrics used to keep track of the Shared Services’ performance.

General Operating Metrics

Operating Metric	Average Target	Most Frequent Target(s)	Average Actual	% Meeting or Exceeding Target
Response Time for calls routed to CSRs (n=25)	84% of calls within 32 seconds	80% and 85% of calls within 30 seconds (tie)	88% of calls within 30 seconds	76%
Average time to answer for calls to CSRs (n=25)	30 seconds	30 seconds	23 seconds	84%
Average length of call (n=14)	4 minutes	3 and 5 minutes (tie)	4 minutes	57%
Average hold time during a call (n=6)	36 seconds	30 seconds	40 seconds	33%
Abandonment Rate (begin counting when call first goes into queue) (n=27)	4%	5%	3%	89%
Calls Escalated (n=14)	19% of calls escalated	20% of calls escalated	18% of calls escalated	71%
Resolution Rate on first call (n=23)	79% of calls resolved or closed on first call	75% and 90% of calls resolved or closed on first call (tie)	81% of calls resolved or closed on first call	65%
Callback response time for calls unresolved (n=9)	95% within 36 hours	100% within 24 hours	92% within 29 hours	55%
Average time to resolve and close open cases (n=23)	3 days	2 days	3 days	74%
Response time for e-mail requests (n=24)	95% within 31 hours	100% within 24 hours	91% within 33 hours	46%
Response time for voice mail requests (n=13)	98% within 27 hours	100% within 24 hours	96% within 27 hours	77%
Percentage transaction input accuracy (n=17)	97% accuracy	100% accuracy	97% accuracy	65%

www.stan.com

Source: Towers Watson 2011 HR Shared Services Survey

Figure 4. Comparison of Operating Metrics.

Conclusion

Stan Lepeak, KPMG's Research Director for the Shared Services and Outsourcing Advisory group, said: "The value proposition and success metrics for Shared Services operations are evolving. Leading organizations today receive measureable business value from Shared Services – above and beyond driving costs. This involves driving and improving overall business performance as well as competing for internal business on level ground with external service providers."

Across the world, businesses are trying to get a competitive advantage on their rivals, squeezing every last drop of potential out of their operations. They hope to secure the best staff, produce the top products and turn over the biggest profit. The other side of bringing revenue is dependent upon cutting operating costs, particularly in times of financial instability. Firms need to look at all avenues to see where spending can be reduced and where improvements to services can be made.

Benchmarking against peer organizations and previous internal data is key to staying ahead of the competition. This continuous process in which organizations continually seek to improve their practices is necessary for HR professionals to improve their service delivery to both employee and customer.



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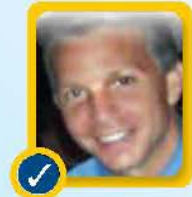
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VP Human Resources
Boston Scientific



Elizabeth Amend
VP Global Business Process
UPS



Lee Coulter
CEO Shared Services
Ascension Health



Greg Limoges
VP Global HR Shared Services
Houghton Mifflin Harcourt



Cindi Basenspiller
VP, HR Operations
Time Warner Cable



Tom Nesteruk
Director - HR Shared Services
BAE Systems

Participating Companies include: Quintiles, Facebook, Inc., Iron Mountain, Merck, Schneider Electric, HighMark Blue Cross Blue Shield, Pepco Holdings, Farmer's Insurance, Vertafore, Dow Corning, Fedex



TRANSFORM

Transform your HR Department into a Business-Centric Strategic Partner
Gain the Tools and Knowledge Necessary to Design and Launch a HR Shared Services Model



RECONFIGURE

Reconfigure your HR Service Center to Drive Innovation and Efficiency
Discover New Continuous Improvement Strategies to Revolutionize your HR Service Delivery Model



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