Trends in Global HR Shared Services
About This Study

In 2009, Aon Hewitt completed a groundbreaking study exploring how HR organizations were responding to the demands of increased globalization. One of the study’s key findings was that companies are moving toward more globally coordinated approaches to HR program design and service delivery. And while some have achieved standardization and efficiencies in HR, significant opportunities remain for many companies.

This research brief more thoroughly explores the topic of global HR shared services. While not a new concept, shared services remains a key focus area for many HR organizations seeking improvements in their approach to service delivery. In this research, we spoke with four global organizations to learn about their journey toward shared services. Questions we sought to answer included:

- How have companies evolved their service delivery approaches to meet changing business needs?
- Have companies been able to create truly “global” service delivery?
- What were the major obstacles faced and key lessons learned?

This brief provides an overview of our findings.
Introduction

In today’s global economy, organizations are delivering their products and services to an increasingly dispersed and diverse customer base. In Aon Hewitt’s 2009 Global HR Study, 55% of companies described their business operations as either “Global” or “Transitioning to Global.” This ongoing business shift has profound HR implications. As companies expand into new markets, the complexity and scope of HR issues increase dramatically.

HR organizations are clearly responding to the challenge. In our Global HR Study, 30% of participants described their HR organizational structures as global (defined as global centers of expertise and a global operations group). Further, as the graphic below illustrates, many participants were planning global initiatives, such as HR process and structure redesign and global self-service.

HR is increasingly focused on transforming service delivery, as business leaders seek higher service levels while pushing for lower HR costs. Many organizations are driving improvements through establishing shared service centers. In a recent Aon Hewitt survey on HR outsourcing trends in the United States, 61% of organizations said they were either undergoing or had completed initiatives to establish shared services centers. In addition, 74% of companies in the 2009 Global HR Study said they were planning to consolidate transactional work into service centers in the next 12 to 24 months. Of those, 44% were planning to consolidate across multiple regions or globally.

Planned Initiatives in the Next 12–24 Months

- End-to-end global process redesign: 30%
- Self-service globally: 33%
- Global organization structure/role redesign: 36%
Four Different Global Shared Services Approaches

Our four case study organizations represent a broad variety of approaches to shared services. While each is at a different point in its evolution, they have all made the commitment to achieving best-in-class HR service delivery. The following table provides a brief summary of the four participating organizations.

<table>
<thead>
<tr>
<th>Company</th>
<th>Headquarters</th>
<th>Business Description</th>
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<tbody>
<tr>
<td>Bayer Group</td>
<td>Leverkusen, Germany</td>
<td>Bayer is a global enterprise with core competencies in the fields of health care, nutrition, and high-tech materials. The company’s products and services are designed to benefit people and improve their quality of life. In fiscal 2009, Bayer employed 108,400 people in 302 subsidiaries all over the world.</td>
</tr>
<tr>
<td>Northern Trust</td>
<td>Chicago, IL (US)</td>
<td>Northern Trust is a global provider of investment management and asset and fund administration to individual and institutional clients. The company has over 13,000 employees worldwide.</td>
</tr>
<tr>
<td>Philips International</td>
<td>Amsterdam, The Netherlands</td>
<td>Philips International is a diversified health and well-being company, and a world leader in health care, lifestyle, and lighting. The company employs approximately 115,000 employees in more than 60 countries.</td>
</tr>
<tr>
<td>Siemens</td>
<td>Munich, Germany</td>
<td>Siemens is a global player in electronics and electrical engineering, operating in the industrial, energy, and health care sectors. The company has approximately 405,000 employees around the globe.</td>
</tr>
</tbody>
</table>
Six Key Trends in Global Shared Services

Across the four case study organizations, we identified six key trends in global shared services, which we will explore more fully in this brief. Those trends are:

1. Consistency and quality, not cost, are the leading drivers for implementing global shared services.

2. HR organizations are increasingly focused on customer-centric models.

3. Outsourcing remains an important component of the HR service delivery strategy.

4. Program standardization is a prerequisite to successful shared services design.

5. Many companies employ a globally coordinated strategy with regional service centers.

6. Rigorous change management, centered on HR itself, is a critical success factor.

Key Trend: Consistency and Quality, Not Cost, Are Leading Drivers

Establishing clear objectives is a critical step in moving to shared services. Our four case study companies expressed a variety of objectives; achieving cost savings was not always at the top of the list. The most important, and frequently cited objective, was the desire to create a uniform, high-quality service delivery approach. At several organizations, shared services was part of a larger organizational directive to standardize processes and create a “one-company” experience. Typically, several functions, including finance, HR, and IT, all work in concert to streamline and standardize administration and infrastructure in an effort to present one face to end users.

On the following page is a summary of the key drivers for shared services among our four case study companies.
<table>
<thead>
<tr>
<th>Company</th>
<th>Primary Drivers for Creating Shared Services</th>
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<tbody>
<tr>
<td>Bayer Group</td>
<td>■ Increase quality</td>
</tr>
<tr>
<td></td>
<td>■ Improve speed of delivery</td>
</tr>
<tr>
<td></td>
<td>■ Reduce costs</td>
</tr>
<tr>
<td>Northern Trust</td>
<td>■ Provide an efficient and cost-effective solution for HR administration</td>
</tr>
<tr>
<td></td>
<td>■ Ensure consistent platform for disaster recovery and business continuity</td>
</tr>
<tr>
<td></td>
<td>■ Provide consistent processes for managers responsible for people across multiple geographies</td>
</tr>
<tr>
<td>Philips International</td>
<td>■ Simplify HR service delivery for managers, employees, and HR business partners by standardizing processes</td>
</tr>
<tr>
<td></td>
<td>■ Leverage advanced technology to create “one-stop shop” through HR portal</td>
</tr>
<tr>
<td></td>
<td>■ Enable strategic support to business through HR business partners</td>
</tr>
<tr>
<td></td>
<td>■ Increase cost agility</td>
</tr>
<tr>
<td>Siemens</td>
<td>■ Increase consistency in support of “One Siemens” culture</td>
</tr>
<tr>
<td></td>
<td>■ Reduce costs and improve efficiency</td>
</tr>
<tr>
<td></td>
<td>■ Improve global metrics</td>
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<tr>
<td></td>
<td>■ Allow HR business partners to provide strategic support to business</td>
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</tbody>
</table>

**Creating Consistency at Siemens**—Several years ago at Siemens, a new CEO issued a mandate for all corporate functions to become more consistent in support of a “One Siemens” culture. HR responded to the challenge by reorganizing to include a global strategy group, HR business partners, and a global shared services organization. While reducing costs and improving efficiency are clearly objectives of this transformation, other critical outcomes include improved global metrics and the ability of business partners to strategically support the business.
Key Trend: Increased Focus on Customer-Centric Shared Services Models

As organizations evolve in terms of service delivery strategy and structure, they are focusing more on serving the customer and providing an optimal user experience. Organizations are aligning their shared services models to the needs—and in some cases, the structure—of the business. Components of a customer-centric approach include:

- A user-friendly employee/manager portal that facilitates self-service
- Call centers staffed with knowledgeable specialists to solve problems for employees and managers
- An integrated technology platform that improves reporting capabilities
- Clear service level standards that define expectations and create accountability for delivering enhanced value through the shared services solution

**Simplifying HR at Philips**—Philips’ HR transformation initiative is called “HR Simplified”, which as the name implies, is a drive toward simplicity in HR services. This initiative is aligned with a larger Philips mission stressing operational excellence and consistency across all its businesses. One of the main objectives of HR Simplified is to streamline the HR experience for managers and employees by creating one global shared services organization with a single point of access for leaders, managers, employees, and HR. In addition, HR business partners are freed up to provide more strategic support to managers. While leveraging economies of scale (productivity) and cost agility are important, they are considered an outcome of this initiative, rather than a core objective.

For some companies, a strong customer focus supports the case for global shared services, as they recognize the value of shared services in delivering a quality customer experience.

**Creating a Quality Customer Experience at Bayer**—Bayer’s original objectives in creating its shared services organization were three-fold: increase quality, improve speed of delivery, and decrease costs. Over time, the company has maintained these objectives, but the primary emphasis is on quality. Bayer measures success through key performance indicators (KPIs) backed by a metrics dashboard that provides real-time data on progress. The shared services organization has formal service level agreements and reports on performance monthly. Since the function is structured as a separate business entity, there are specific prices for “products” and deliverables. Over time, leadership has increasingly recognized the positive impact shared services can have on quality and speed. As a result, they now value these outcomes more than the cost savings.
**Key Trend: Outsourcing Remains an Important Component of the Overall Strategy**

Outsourcing continues to be an important part of companies’ overall HR strategy as they seek quality and cost improvements in their service delivery platforms. According to Aon Hewitt’s *HR Outsourcing Trends and Insights 2009*, one-third of companies surveyed are more inclined to outsource today than they were two years ago. Participants indicated that outsourcing continues to solve a number of operational challenges, such as:

- **Reducing costs**: 78% of companies indicated that cost savings was a key driver for outsourcing. Among this group, 65% reported that they achieved their expected cost-reduction targets.

- **Access to outside expertise**: 78% of participants indicated this was a key objective. In addition to looking for specific domain expertise, companies turn to outsourcing to avoid large capital investments in technology as well as the recurring expense of ongoing maintenance and upgrades.

- **Improving service quality**: 74% of companies indicated this was a key driver of their decision to outsource. Considered the most common measure of success, 81% indicated that they had met or exceeded their service quality targets.

- **Realigning/focusing on strategic HR priorities**: 72% of organizations cited this as a key driver. Outsourcing allows organizations to shift their focus from the time-consuming administration of non-strategic processes, so they can focus on more value-added activities that support the business.

Overall, 82% of companies\(^2\) said they realized the benefits they had hoped to gain by outsourcing. Seventy-five percent of companies reported that the recent economic downturn had not changed their outsourcing strategies. If anything, the current economic conditions have created a new urgency to realize the financial benefits of outsourcing.

Some organizations have looked to outsourcing to solve the problems of inconsistent processes and disparate technology platforms. However, they’ve quickly learned that while outsourcing cannot transform HR on its own, it can be a critical component after the foundational work of program standardization has been completed. In some cases, companies turn to outsourcers to understand the accepted global standards for administering specific HR processes, especially in core process administration. This can save time and effort and accelerate the transformation process.

- **Using a Combined Approach to Increase Effectiveness**—As part of a larger HR transformation initiative, a large global beverage company has worked to maximize both the effectiveness and efficiency of its service delivery platform. Its goal has been

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\(^2\) Companies able to evaluate their outsourced programs
to deliver transactions at the right service levels and right costs, while also delivering
global capabilities to all markets. This organization has developed a globally consistent
framework for service delivery that includes a strategic combination of both
insourced and outsourced activities. Some of the services that have been outsourced
on a global basis include data and organization management, performance
management, learning administration, and aspects of customer service. These services
are administered from seven service centers in five countries across the globe. The
remaining activities are mostly administered through internal service centers; a very
limited set of activities, such as local regulatory and policy guidance, are conducted at
the local country level. Through this combined approach, this organization has achieved
global standardization and economies of scale; however, the major focus continues to
be improving service delivery effectiveness through offering a consistent user experience
and consistently high levels of expertise across markets.

Key Trend: Program Standardization is a Prerequisite for Global
Shared Services
Increasingly, the standardization of HR programs is viewed as a basic requirement for
creating a successful shared services operation. Organizations are devoting extensive time
and resources to creating process consistency. In the 2009 Global HR Study, participating
companies reported great variability in program administration. While some programs
(such as leaves of absence and workforce administration) were administered locally by
a majority of companies, 30% said that end-to-end global process redesign was a key
priority over the next two years.

All four of our case study companies have ongoing initiatives to standardize programs
in conjunction with their shared services implementation. In each case, the aim is not
solely to drive consistency, but also to create best-in-class solutions.

- Process Standardization at Bayer—Starting in 2005, Bayer identified and organized
each of its HR processes into 28 different clusters. Through this analysis, Bayer
identified three types of processes:

  - **Global processes**: Processes conducted the same way in every location. Bayer
    identified six global processes including performance management, short-term
    incentives, and merit increases.
  - **Global-at-core processes**: Processes with a consistent foundation, but some
    variations at the local level; these include recruiting and training.
  - **C processes**: Processes that vary significantly by country and include payroll.
In Aon Hewitt’s 2009 Global HR Study, 55% of companies described their business operations as either “Global” or “Transitioning to Global”. This ongoing business shift has profound HR implications. As companies expand into new markets, the complexity and scope of HR issues increase dramatically.
Bayer aggregated the administrative aspects of these clusters in its service centers. The company’s six global processes are administered consistently for all employees out of Bayer’s global shared services center in Germany. The other processes, which require more local variations, are administered through regional or country-based centers. Bayer made an intentional effort to maintain its major service center in Germany, although it required employees to accept a reduction in pay to make the business case work. Bayer viewed this as an important signal of its commitment to its employee base.

**Streamlining Processes at Philips**—When Philips began its HR Simplified initiative, the company had several global processes in place (including learning, executive rewards, performance management, long-term incentives, job grading, international mobility, and employee engagement); the remaining processes were locally administered across 75 countries. To simplify the processes, a lean team of functional leads went through a disciplined approach to define 60 global processes. Rather than focusing on current state processes, the team was given the freedom to develop improved future state processes. The end result was greater process simplification overall; for example, in recruitment they removed 15 “touch points” from HR business partners and another eight from managers. Business leaders and managers were asked to validate each new process from a single perspective: Is it do-able from a regulatory and legal perspective? With the streamlined approach, Philips was able to complete the high-level process redesign within three months. The next step will be to detail these processes on a local operational level.

**A Modified Approach at Northern Trust**—Some organizations have adjusted their original plans based on key learnings during the design/implementation process. At Northern Trust, HR globalized several processes, including training, performance management, and on-boarding administration. For payroll, the original goal was to create a single global payroll administration process managed by one global vendor. However, this proved difficult to achieve due to variations in tax laws across countries. Additionally, HR discovered that most vendors were not willing to support a globally dispersed employee population, particularly in countries with few people. As a result, HR developed a regional approach to payroll, in which administration is insourced in the U.S., but outsourced to external vendors in all other regions.
Key Trend: Globally Coordinated Strategy with Regional Service Centers

In the last 10 years, companies have made great strides in developing globally coordinated approaches to service delivery that include global strategies and governance structures. However, it’s important to distinguish between globally coordinated approaches to shared services and truly global service delivery.

Few companies are currently operating global shared service centers. Only one company in our study, Bayer, administers processes on a truly global basis. As discussed earlier, the company identified six processes that it administers globally out of its service center in Germany. Most of the companies in our study run processes in regional (or country) shared services centers, as does Bayer for its other HR processes.

The decision to develop regional versus country-specific shared services is based on the size and locations of the employee base, as well as cost. In countries with large numbers of employees, companies may choose to set up country-specific service centers (e.g., U.S., France, and Germany), while those operating in smaller countries may opt to coordinate through one regional location. In the European Union, more companies are aggregating services in lower-cost countries, such as those in Eastern Europe.

- A Varied Approach at Siemens—Siemens’ shared services structure varies by region. In the U.S. and Canada, the shared services operation is fairly mature, while in Latin America, Siemens is still transitioning much work from the different countries into the service centers. In Europe, the service center is focused on supporting tools (such as performance management) and the portal, while most other work is still completed in country. Siemens’ immediate goal is to standardize in country (across businesses) and then transition to a multi-country approach. This will be accelerated by its continued progress in standardizing talent processes globally.
The following table shows locations of shared services centers among our case study companies, as well as the services provided from these centers.

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<thead>
<tr>
<th>Company</th>
<th>Shared Service Center Locations</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bayer Group</strong></td>
<td>■ One global location in Germany (administrates six global processes)</td>
<td>■ Payroll</td>
</tr>
<tr>
<td></td>
<td>■ Two regional sites: Europe (Germany); North America (Pittsburgh)</td>
<td>■ Talent management (includes performance management, rewards, recruiting, and training)</td>
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<tr>
<td></td>
<td>■ Country sites in Argentina, Mexico, Brazil, and Japan</td>
<td>■ HR administration</td>
</tr>
<tr>
<td><strong>Northern Trust</strong></td>
<td>■ Three regional sites: North America (Chicago); Europe, the Middle East and Africa (London);</td>
<td>■ Payroll</td>
</tr>
<tr>
<td></td>
<td>■ Asia-Pacific (Bangalore)</td>
<td>■ Talent management (includes performance management, recruiting, and training)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>■ HR administration (on-boarding administration)</td>
</tr>
<tr>
<td><strong>Philips International</strong></td>
<td>■ First rollout of HR Simplified in North America with a service center in Andover, MA</td>
<td>■ First-line support Contact Center</td>
</tr>
<tr>
<td></td>
<td>■ In the process of transitioning to a total of 6 regional service centers globally</td>
<td>■ Second-line support</td>
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<tr>
<td></td>
<td></td>
<td>■ Payroll administration (partially outsourced)</td>
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<tr>
<td></td>
<td></td>
<td>■ Compensation and benefits administration (partially outsourced)</td>
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<tr>
<td></td>
<td></td>
<td>■ Learning (outsourced)</td>
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<tr>
<td></td>
<td></td>
<td>■ Recruitment administration</td>
</tr>
<tr>
<td></td>
<td></td>
<td>■ International mobility (partially outsourced)</td>
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<tr>
<td></td>
<td></td>
<td>■ HR reporting</td>
</tr>
<tr>
<td><strong>Siemens</strong></td>
<td>■ Regional centers in North America (Orlando); Latin America (Buenos Aires and Sao Paolo);</td>
<td>■ Payroll</td>
</tr>
<tr>
<td></td>
<td>■ Europe (Prague, Lisbon, and Glasgow); Asia-Pacific (Bangalore and Beijing)</td>
<td>■ Benefits (outsourced)</td>
</tr>
<tr>
<td></td>
<td>■ Country site in Germany (supports headquarters only; more than 160,000 employees)</td>
<td>■ HR administration (HRIT, data management)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>■ Talent management (includes performance management, recruiting, and relocation)</td>
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</table>
Key Trend: Rigorous Change Management Centered Around HR Itself

Most companies agree that a focus on change management is critical to making the shared services vision a reality. The most important success factor for the transition to shared services is the continued focus on securing buy-in and cooperation from key stakeholders. While a thoughtful approach to shared services strategy and design is important, the true value is realized through successful implementation.

There are multiple stakeholders affected by a shared services transformation—the same stakeholders who are instrumental in making it a success. They need to be managed appropriately.

Leadership: Leadership commitment and sponsorship is critical to establishing credibility for the move to shared services. Leaders must set the tone for the rest of the organization by demonstrating ongoing support for the business case and the changes in their businesses.

Managers and employees: Managers and employees will be key customers of the new shared services model. It is important to make sure that they understand what changes will affect them, and how they can realize the value of the new approach.

HR: More than any other group, HR can determine the success or failure of the implementation. Many companies forget that HR needs to be treated as a primary—often the primary—stakeholder group. They require extensive, repeated communications, both big picture (“Why are we doing this?”) as well as the details behind specific decisions (“What is specifically changing?”). Since the changes affect HR so directly, HR often can be the most resistant to change. This is an important consideration for companies as they staff their new shared services organizations and make decisions about redeployment versus bringing in new staff.

- Helping HR Transition at Northern Trust—The most critical success factor in Northern Trust’s shared services implementation was anticipating and managing HR’s resistance to change. Northern Trust discovered that ongoing communication with the HR community at all levels was necessary to overcome their initial resistance, and found it took time to build trust—with both HR and the business—when so much change was occurring. In general, Northern Trust found it easier to staff the service centers from the outside, as the new employees were less resistant to change.

- Listening to HR at Philips—Philips has employed a unique strategy to get senior leaders to listen to HR administration issues. HR conducted a baseline survey of managers, asking them about their HR needs. HR reported the results of the survey—many of which validated the HR Simplified approach—to the Board. The team continues to talk to managers through interviews to gather additional feedback. This has been very effective in getting senior management to agree to needed changes.
Lessons Learned

Each of our case study organizations acknowledges that the shared services journey has been far from easy. Through the process, they learned important lessons on how to keep moving forward and when to change course to maximize success. The following are some of the key lessons learned:

■ Understand your organization’s starting point.

Philips concluded, after thorough benchmarking against its peers, that companies are looking to accomplish the same basic goals when it comes to shared services. However, their journeys can be very different because their starting points vary greatly. Only by understanding its own organization’s starting point (e.g., organization design, IT platform, and employee demographics) can a company determine the best path to success.

■ Ensure strong business leadership and sponsorship.

Siemens discovered that business leaders may understand the need to change and be vocal critics of the current state, but may resist the actual changes to HR (e.g., roles, processes) in their business. To minimize this, business leaders need to be brought into the change process early to ensure their buy-in and ongoing support.

■ Don’t underestimate the time it takes to change minds among the HR community.

Both Bayer and Northern Trust found this to be one of the most significant factors in the success of their implementations. Besides a heavy focus on communications, both organizations found it helpful to bring in talent from the outside (either outside HR or the company) to overcome internal resistance.
Moving Ahead

As our case study companies have illustrated, organizations on the shared services journey vary significantly in terms of strategy, workforce demographics, culture, and HR function maturity. It is no surprise that their paths to success differ as well. However, Aon Hewitt has identified several critical factors through partnering with many clients on shared services design and implementation. These are depicted in the graphic below:

1. Create Compelling Shared Services Vision
2. Gain Senior Leadership Support for Vision
3. Create Clear Blueprint of Globally Coordinated Approach
4. Determine Governance Structure for Global Decision Making
5. Execute a Robust Change Management Plan
6. Gather Metrics to Track Progress and Measure Success

The creation of a global shared services organization is a complex, multi-year process that requires patience and persistence. To maintain momentum, it is helpful to focus first on the elements that yield the most tangible benefits. The quickest hits will be in areas where your processes are most mature and consistent.

With a change of this magnitude, there will be obstacles to overcome as you work toward your vision. Frustration is inevitable, but it’s important to keep moving forward. Bayer, for example, has been effective in maintaining momentum and achieving its objectives despite the obstacles in its way. The HR transformation group had a slogan they repeated throughout the initiative: “Let’s make it happen.” This is an appropriate mantra that many organizations might consider adopting as they move along the shared services continuum.
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