



# Explore the Possibilities

## Seize the Moment

2013

HR Service Delivery and Technology Survey Executive Summary Report



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## Market trends in HR service delivery and technology can be summed up in a single sentence: *More than ever before, possibilities to explore and opportunities for productive change abound.*

Each year, Towers Watson explores the changing landscape of HR service delivery and technology around the world through a comprehensive study of trends, strategies, tactics and tools. Participants reveal their perspectives on what excites them about the future, what holds them back and how they plan to take advantage of new opportunities.

There is much for HR leaders to look forward to in the next year: exploring new ideas in HR structure, taking a fresh look at processes, and seizing opportunities to deploy sophisticated new technologies that can make the HR function more effective and efficient.

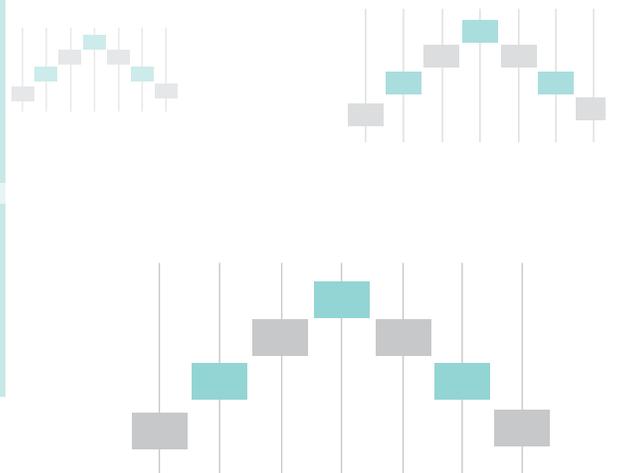
Our report explores each of these areas in detail, organized by four key themes that arose from this year's research. Leading organizations see 2013/2014 as the moment to:

- **Reexamine HR structure.** Many organizations see new opportunities to increase HR's strategic contributions to the business and leverage resources across the function to achieve greater efficiency and contain costs.

- **Consider new technologies.** Savvy companies are investing in technologies that provide the greatest near-term innovations and advances in service delivery as well as exploring the newer technologies on today's horizon.
- **Analyze and change HR processes.** New technologies are only as good as the processes that guide them. To achieve high performance, HR must also take advantage of current opportunities to rethink and redesign its business processes.
- **Extend manager self-service (MSS).** Managers are HR's able allies in delivering and improving HR processes, and expanding your company's offerings globally. Leading organizations give managers the tools they need to support employee engagement.

### What the 2013 Survey Findings Mean for You

A historically high percentage of organizations — more than one in three — are considering changes to their HR structure in the next 18 months. What is driving this dramatic movement? In short, new delivery models now support more efficient ways of organizing HR. Excellent opportunities exist right now to make changes that will improve your organization and the services it delivers to employees.



## HR Structure: A Look Across, and Through, the HR Function

Organizations are deploying HR resources in new and different ways. For example, some companies have established virtual centers of excellence or are using shared HR professionals as flexible resources across the organization. Many employ decidedly distinct HR structures that reflect their geographic footprint and scope.

Some structures evolve as an organization grows organically. Others are created or changed rapidly to enable expansion into a new market or accommodate a merger or acquisition. It's logical to employ a structure that is aligned to your organization's culture — one that combines local compliance with streamlined delivery of programs and services to employees and managers.

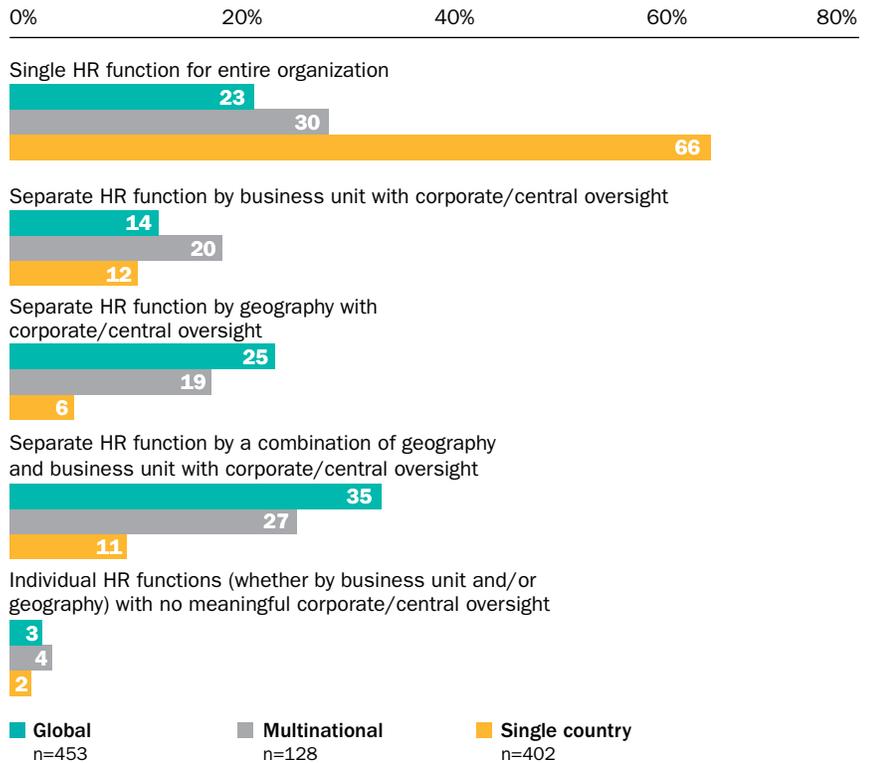
Generally speaking, the more complex the structure and reach of a company, the more complex the HR function becomes. As HR evolves, effective global coordination and governance are critical — and often the first step to meaningful organizational change.

Companies take varied approaches to managing structural change — there is no prevailing model for global companies. However, simplicity and centralization are the optimal goals, as geography allows. Among our survey participants, about two-thirds (66%) of companies with single-country operations (more than 400) have a single HR function that provides services to the entire company. Less than one-quarter (23%) of the 453 global organizations we surveyed have a centralized HR function.

Just over one-third (35%) of participants have a separate HR function, with a combination of geography and business-unit oversight, managed by a corporate or central HR function. One-quarter (25%) have an HR function with geographic oversight that is also managed by a central function. The 128 multinational HR structures are similarly dispersed (Figure 1).

**Figure 1. HR structure by geography**

**Global/Multinational organizations often have separate HR functions with corporate oversight**



### It's a Small World

HR organizations are paying increased attention to global considerations in service delivery. Just under 60% of participating organizations have global or multinational operations — many operating with legacy HR management systems that were not designed to support global needs.

Organizations are taking a variety of approaches to this challenge. Some will need to rethink and make changes in governance.

Structural change is afoot for many of these HR organizations. In fact, among all respondents, regardless of geographic reach, more than one-third (36%) indicate their intention to make such changes before the end of 2014.

Among those doing so, nearly three-quarters (74%) — a large majority compared to other reasons given — expect to realize further operational efficiencies. More than half (53%) aim to achieve quality improvements, and another 37% seek cost savings. About one-third (34%) are reorganizing as part of a change in business strategy, and 29% are doing so as part of a globalization initiative.

Regardless of reason, almost half (49%) of companies that are changing HR are moving toward a shared services environment with centers of excellence and business partners. This model is far and away the most prevalent of the available options. And choosing the shared services model more than doubles an organization's intent to outsource additional functions (to 17%) or move to a single HR function for the entire organization (to 12%).

## What About Talent?



Readers of Towers Watson's HR Service Delivery and Technology Survey reports of previous years will recognize the HR function's continued emphasis on talent management. We believe that trend is here to stay as organizations continue to grapple with attraction, retention and engagement issues.

But the shift this year from talent management as the top priority, in favor of reengineered business processes, suggests recognition by HR that the function may be most valuable over the long term by improving its own design. Changing business conditions have, in fact, made change imperative.

The shared services model offers improved HR delivery through a consistently applied HR and user experience, accuracy of information, and measurement of results and cost savings. The popularity of shared services tends to rise as business conditions, and businesses themselves, become more complex.

By centralizing key support functions in groups with specific domain expertise, the shared services model gives HR practitioners the opportunity to partner with the business on more strategic issues. For the business, shared services provides a more consistent HR service delivery experience supported by a devoted HR function with the time and motivation to develop deeper business knowledge, and help solve HR issues.

# 49%

of organizations will use  
**Shared Services:**

- Move administrative work
- Long-term cost savings
- Standardize HR processes
- Improve HR quality



## Changing HR Processes: Streamline Manager and HR Involvement

Even the most straightforward HR tasks can be stymied by inefficient processes and cumbersome approval requirements. And then there are the more complex processes that typically make up the HR professional's day. Poorly designed processes can cost real money when the technology designed to help administer them is prevented from doing its job. In order to take advantage of the competencies of the HR team, the knowledge of managers and the investment in sophisticated technologies, HR processes need to be intuitive, logically designed and effective in any required situation.

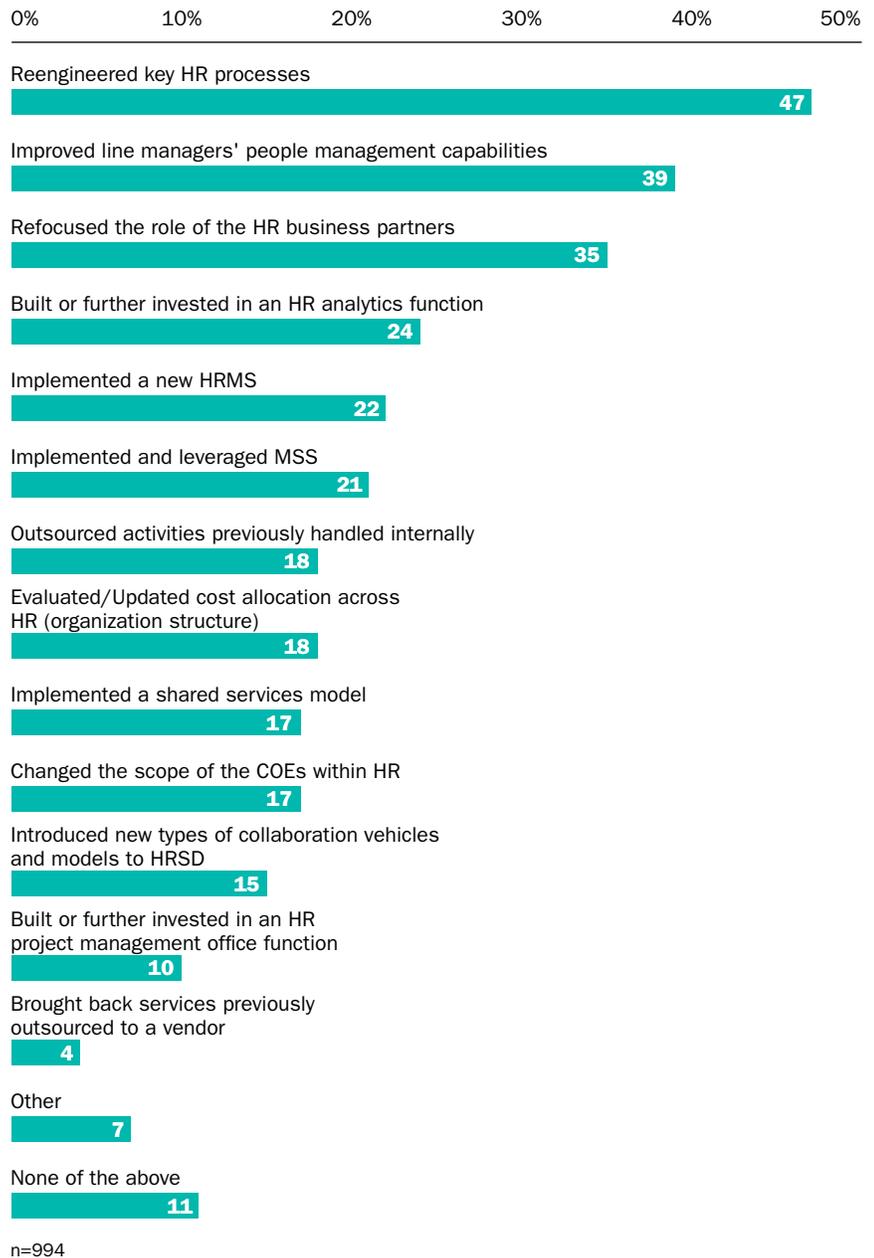
Our research shows that HR organizations fully understand this need. In our study, nearly half (47%) have sought to reengineer key HR processes in the past 18 months — more than have implemented a new HR management system (HRMS) or a new MSS technology combined (*Figure 2*). And they are making good progress: Slightly more than half (52%) report that these initiatives are more than 50% complete. Most telling is the value achieved by making the changes. More than 80% of organizations that reengineered HR processes report that results were either at or above expectations.

What makes for successful review and reengineering of HR processes? Begin with a look at how, and by whom, work is performed.

- Does it make sense from a functional and geographic standpoint?
- Is the work performed by the most capable person at the right level?
- What efficiencies can be achieved by centralizing certain tasks and decisions?
- What latitude should be given to local HR and managers?

By addressing these questions — with the aid of feedback from both HR and the business — HR can start the work of adapting processes to better suit the organization's needs.

**Figure 2. Initiatives undertaken in previous 18 months**



Effective process review also includes exploration of whether certain types of work are better performed by an employee's manager or the HR function. Managers have come to play a pivotal role in the career development and performance management of their employees, an area once primarily HR's domain. Managers are also expected to manage certain elements of reward programs, often including — as MSS technology has evolved — working with a compensation tool to determine pay decisions.

To empower managers through new processes and self-service technology, organizations need to cut the clutter by changing approval structures that create needless obstacles. The best example is HR's common inability to act on decisions already made, even when the technology is in place to quickly execute them. Fully one-quarter of organizations we

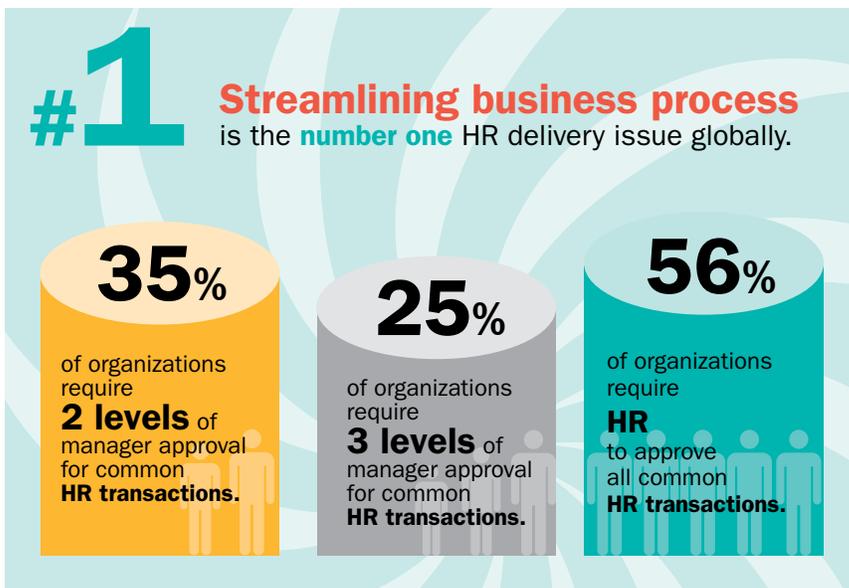
surveyed require *four* additional manager approvals to create a new position. A similar percentage require *three* additional manager approvals to set performance goals and results. Nearly half of all organizations still require *two* manager approvals to permit time off from work.

Improved processes empower manager and HR discretion. From our perspective, the best way to change an organization is to *redefine its underlying business processes*. HR is well served by trusting managers to handle these processes at the lowest level possible. We've observed that with greater MSS capabilities, HR has relaxed its controls somewhat and is more comfortable, in the majority of cases, with simple notification for basic transactions such as goal setting, transfers and voluntary terminations.

### HR Technology: The Right Processes Enable True Innovation

All members of an organization can experience substantial gains from new technology developments and innovations. Among other technologies, software-as-a-service (SaaS), mobile applications and portals help HR efficiently complete both simple and complex transactions.

Almost one-third (29%) of organizations plan to adopt a new HRMS in the near future. Among these respondents, the most prevalent technology choice is Workday, a SaaS solution that enables organizations to stay current on a sophisticated, cross-functional HR service delivery platform — without the need to purchase, implement, configure or update the tool.



“To empower managers through new processes and self-service technology, organizations need to cut the clutter by changing approval structures that create needless obstacles.”

Currently, Workday is the leading new HRMS chosen, over SAP, PeopleSoft, Oracle and other systems. Among organizations seeking a new system, more than a third (35%) considered only SaaS solutions in their search, almost three times the percentage of those considering only an on-premise solution. Just under one-quarter (24%) of respondents were open to either SaaS or an on-premise solution.



Why is SaaS architecture growing in popularity? Organizations that choose it as a platform cite global capabilities, lower ongoing costs and the peace of mind of always being on the current version of the software. Regardless of the platform, organizations cite costs and global capabilities among their top three HRMS considerations. We expect that SaaS solutions will continue to prove their value in the years ahead.

### Mobile and Social Applications: An Accelerating Trend

As technologies evolve in the personal realm for employees and managers, often enabling greater productivity, it is reasonable to expect that personal technology — especially in the form of smartphones and mobile applications — will be helpful in their professional lives as well.

While the use of personal technology is far from prevalent at this point, HR is catching on to the mobile trend. A majority (more than 60%) of organizations provide mobile access via smartphone to employees; almost a quarter offer tablets as well. But HR-enabled applications remain in their infancy. Only about one in 10 organizations currently use mobile applications for HR purposes. But the numbers support an accelerating trend in the years ahead: One-quarter of organizations plan to offer HR-enabled applications in the next 12 to 18 months.

Currently available applications tend to be transactional and, at this point, basic — which is to be expected from new technologies. Among the one in 10 organizations offering mobile applications for HR purposes, by far the most prevalent use was for employee directories (40%) and time-and-attendance recording (38%). About one-quarter offer apps for expense management, recruiting and applicant support, and wage statement viewing. Benefit enrollment, among the more sophisticated of available tools, is offered by 20% of organizations with HR-enabled mobile applications. Just under two-thirds of organizations using these technologies are generally satisfied with them.



## HR Portals: User Adoption and Satisfaction Are Key

HR portal technology is growing in both prevalence and usefulness. More than half of organizations use portals, primarily to enable employee self-service, but also to ensure compliance, communicate policy and increase collaboration within HR. Right now, more than half of all responding organizations have an HR portal that is available both inside HR and to employees. Another 19% are working to develop one. A large majority (nearly seven in 10) of organizations with an HR portal provide access to 75% or more of employees.

Portals are increasingly functional as well. Popular features currently include an HR knowledge base (in 60% of cases), internal HR team sites (53%), onboarding for new employees (43%), web-based summary plan descriptions (34%) and HR case management (30%).

Organizations with HR portals are also generally satisfied with their results. Slightly more than six in 10 report that their portal is somewhat effective, and 17% describe it as very effective. We predict that satisfaction levels will increase in the future as the technology and the information included in portals grow in sophistication and value to users. Even now, almost half of organizations with portals keep their content fresh — updated daily or weekly — a key to user adoption and satisfaction.

## MSS: Renewed Usefulness and Global Growth

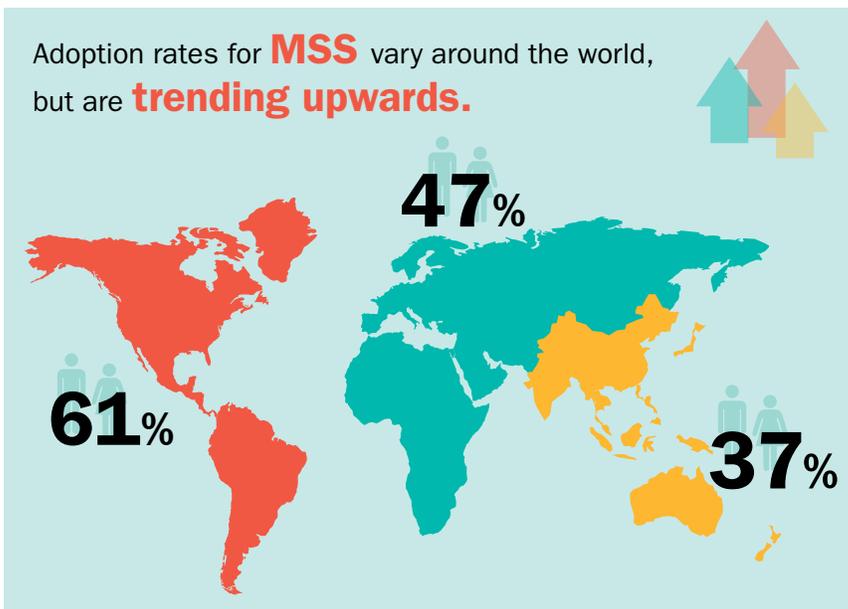
MSS is experiencing a surge in importance, enabled by the new structures, processes and technologies we've discussed. While very few organizations report having made maximum use of MSS, most aspire to more. HR recognizes that MSS creates many benefits for the organization. Among these are decreased cycle time and increased accuracy for HR transactions, manager satisfaction in handling many of these transactions on their own and a level of comfort for HR that work is being handled appropriately.

Generally speaking, almost two in three organizations use some form of self-service technology. Use has more than doubled in EMEA and Asia in recent years. But geographic differences still exist: MSS remains most prevalent in North America, but its use continues to grow in all regions. Most organizations make roughly the same MSS transactions available across the organization, although in some cases, the level of MSS available depends on the geography or business unit, or both.

## Looking Ahead — Seize *This Moment*

In this year's report, we've discussed four critical areas from our current research: HR structure, business processes, new technologies and MSS. These synchronous challenges create great opportunities for change and growth in HR and the business. But how, exactly, does your organization go about preparing for 2014 and beyond?

HR organizations need to recognize that constant motion keeps them vital to the business. For that reason, HR needs to embrace constant change. This means you can change the game by modifying your structure, rethinking traditional processes, and adopting new HR technologies and processes that work effectively together. You can extend new capabilities to your organization through shared services and MSS. You can explore new organizational concepts to address existing challenges. In 2013 and 2014, leading organizations will make bold but measured bets to achieve solid results.



## About the Survey

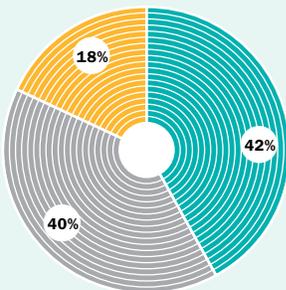
Towers Watson's 2013 HR Service Delivery and Technology Survey was fielded between the first week of January 2013 and the first week of March 2013. In total, 1,025 respondents from 32 countries participated. Roughly 42% of the survey sample was from the Asia Pacific region, including a very large sample from China. North America, Europe, the Middle East and Africa accounted for the remaining 58% of the survey respondents.

- About half of the responses came from global organizations.
- Two-thirds of the responses came from organizations with more than 5,000 employees.
- The survey responses came from a broad cross section of industries, with the largest number concentrated in the manufacturing sector, followed by financial services, IT and telecom, professional services and retail.

Note: During the same time, we also fielded the follow-up HR Shared Services Survey for eligible companies. This biannual survey was fielded between the first week of January 2013 and the second week of March 2013. In total, 103 respondents participated. Data on shared services are taken from this follow-up survey.

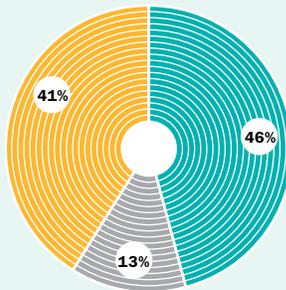
### Headquarters location and geographic footprint

Company headquarters



- 42% Asia Pacific
- 40% North America
- 18% Europe, Middle East and Africa

Geographic footprint



- 46% We are a global organization, with sites/operations around the world
- 13% We are a multinational firm, with sites/operations primarily on one continent
- 41% Our operations are primarily located in just one country

## About Towers Watson

Towers Watson is a leading global professional services company that helps organizations improve performance through effective people, risk and financial management. With 14,000 associates around the world, we offer solutions in the areas of benefits, talent management, rewards, and risk and capital management.