



The State of HR SSC Operations in Eastern Europe

In collaboration and
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Talent Continues to Reign Supreme in an AI-first World!

Over the past few years, global corporations and their enterprise functions have undergone a paradigm shift, driven by ever-changing macro factors such as high inflation and interest rates, supply shocks, and the Great Resignation.

In the world of talent management, employee experience now reigns supreme, and HR functions have pivoted accordingly. Hybrid working models, collaborative workspaces, remote working, and AI-centric transformation are just a few elements being leveraged to court the 'new' workforce.

Drawing insights from 64 shared service leaders across Europe, this study highlights some distinct trends and unique challenges. While the HR and SSC leadership have made a sharp pivot in focus to delivering employee experience, they feel that investments are not keeping pace.

We are positive that this research will help in providing an insightful view on the HR and GBS landscape in organizations across the globe.

At Infosys BPM, we are helping GBS and shared service leaders to navigate this fast-evolving world. We strongly believe that AI and automation will eventually amplify human potential manifold and create the next opportunity in redefining GBS and HR SSCs. Recent progress in accelerated computing and transformer AI models has played a crucial part in making generative AI and intelligent automation the epicentre of digital hyper growth for most organizations.

Our curated AI-powered offerings around employee self-service, learning and development, talent sourcing, and payroll not only address many of the challenges identified in this study, but also provide industry-leading employee experience.

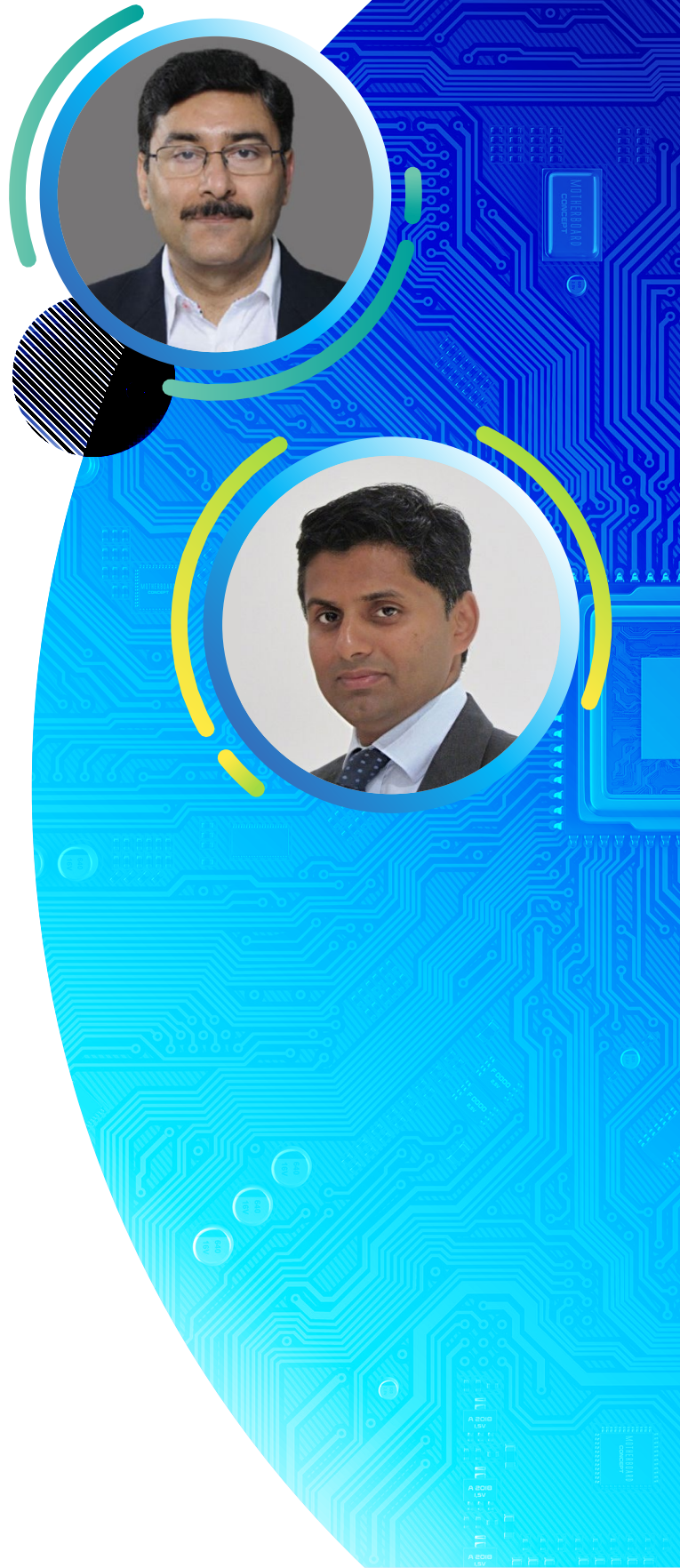
So, are you ready to embrace digital transformation and AI to be a value multiplier for your GBS organization?

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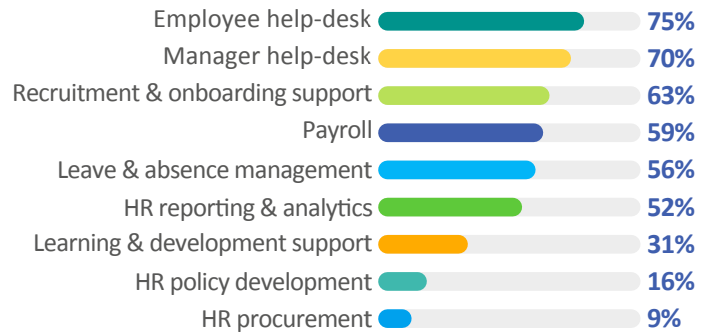
Introduction

This paper aims to assist CXOs, including GBS leaders, COOs, CHROs, and CFOs, of major enterprises with HR Shared Services Centers (SSCs) in Eastern Europe in understanding the challenges currently faced by these centers, the extent and nature of the need to refresh their operating models and technology, and the types of action required to realize change.

The study is based on interviews with HR operations leaders within 64 HR SSCs based in Eastern Europe and identifies:

- The key challenges faced by Eastern European HR SSCs
- The future visions of these operations leaders for their HR SSCs and their current suitability to support the business' future HR needs
- The extent to which the HR SSCs need to refresh their operating models and technology and the transformation initiatives required to do so
- The changes in technology required
- Operations leaders' appetite for partnering with third-party providers in achieving service transformation
- Recommendations for action by GBS leaders, CFOs, and CEOs.

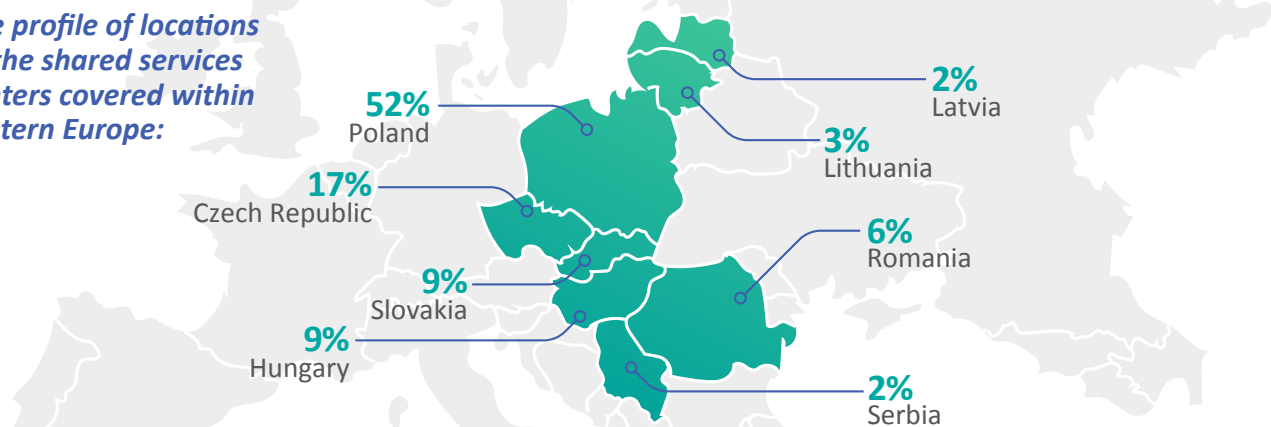
The profile of HR services delivered from the SSCs



In addition to the HR SSC operations leaders, NelsonHall interviewed regional headquarters executives with HR oversight linked to half (32) of the HR SSCs to identify their attitudes to service sourcing.

Note that the infographics in this paper that show percentage values indicate the proportions of HR SSC operations leaders, or HQ executives, who perceive specific characteristics to be highly important.

The profile of locations of the shared services centers covered within Eastern Europe:



Eight of the 64 SSCs are dedicated HR SSCs. The other 56 are multi-function SSCs. The profile of activity within these multi-function SSCs in addition to HR is:



Challenges Faced by Eastern European HR SSCs

The pandemic created a step change in employees' relationships with their employers. HR suddenly found itself taking a more central and strategic role than previously, due to the challenges of the Great Resignation and waves of quiet quitting.

In general, employees post-pandemic have higher expectations from their employee experience, especially in areas such as easy and low-touch access to corporate systems. This puts pressure on HR SSCs to provide a more seamless experience.

This increased level of employee expectation, keenly felt by HR SSCs, has now been compounded by the current uncertainty in the global economic climate. This has led to increased cost pressure and need for greater automation within HR SSCs.

Consequently, it is no surprise that the top five challenges identified by operations leaders within Eastern European HR SSCs are:

- Increasing the use of self-service by employees through implementing improved self-service tools and making it easier for employees to use self-service
- Increasing their levels of process automation
- Improving the levels of integration of systems and processes
- Improving their ability to develop and retain HR personnel
- Controlling their costs to maintain their competitive edge in service delivery.

Examples of challenges faced by HR SSC leaders:

"We need to improve the range of self-service tools available to employees so self-service tools are adopted more readily"

| Polish center of major professional services company

"Our main focus is to bring down the cost of transactional HR services with more automation"

| Polish center of major manufacturing company

"We want to improve our own ability to implement technology changes rather than having to rely on centrally-allocated IT resources that may not have specialist HR knowledge"

| Polish center of major distribution company

"We need to retain trained employees and ensure there are adequate retention strategies in place to make sure our skill set isn't hollowed out"

| Hungarian center of pharmaceutical company

As a result of the rapidly changing business and technology environment, the majority of HR SSC operations leaders perceive a high need to refresh their HR operating models & technology



55%

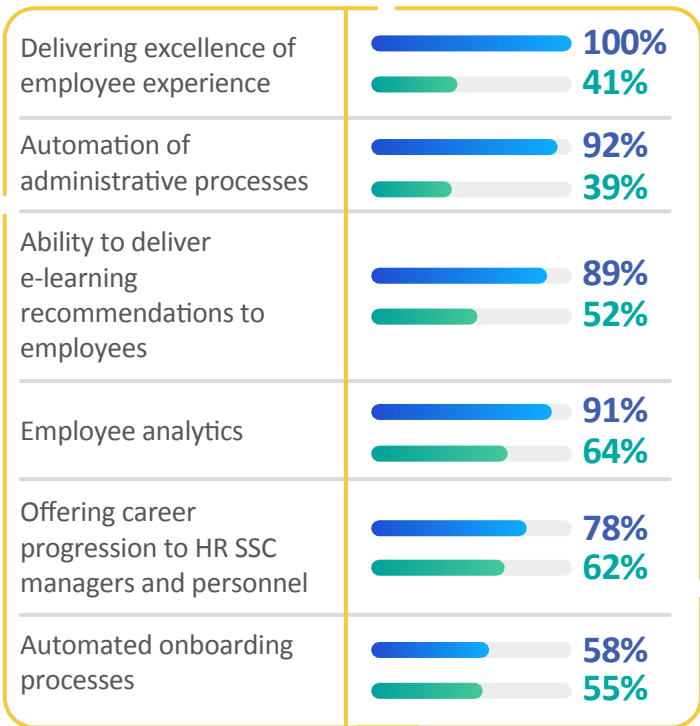
Extent HR SSCs need to refresh their HR operating models & technology

Future Vision and Readiness of HR SSCs

As a result, Eastern European HR SSCs currently need to enhance their capabilities in a number of key characteristics such as delivering excellence of employee experience and automating administrative processes.

The following graphic shows the gaps for a number of key characteristics between their importance in meeting organizations' future needs vs their current ability to meet these future needs, i.e., the gap between HR SSC operations leaders' visions and the current reality.

Importance vs current capability:



- Importance
- Satisfaction

While automation and touchless processing is a major part of the future SSC vision, HR operations leaders also view improved HR systems and greater control of HR systems from within their centers as key. Transitioning to SaaS and more up-to-date HR technology were mentioned by HR operations leaders as major elements in updating their centers' capabilities.

In-center IT and automation capability is key to speed of change:

“Our vision includes improving the speed at which we can implement change. Having control of service center base HR systems management, support, and development is a critical step”

| Czech center of major manufacturer

“Our vision includes improved integration and enhanced ability to implement technology ourselves”

| Slovakian center of major chemical company

“Having integration capabilities without having to use central IS resources is important”

| Polish center of major brewery company

“We need our own IT function or at least a dedicated resource”

| Slovakian center of major chemical company

Future Vision and Readiness of HR SSCs (cont.)



Transitioning to SaaS and more modern HR platforms would provide flexibility and increased process focus:

“Our vision includes a rebuilt HR system based on SaaS to help with distributed employee management”

| Czech center of major retailer

“I think the SaaS transition would be the most useful. Better implementation of employee and manager help-desk would be an important element too”

| Czech center of major retailer

“We need to fully embrace SaaS to allow us to turn our focus away from systems and focus on core HR operations”

| Polish center of major automotive company

Improving in-center skills retention and HR knowledge management:

“Looking at ways to retain our HR staff longer so we have better internal knowledge retention”

| Polish center of high-tech company

“Improving our knowledge management as we sometimes struggle with employee churn”

| Czech center of financial services firm

“Having the ability to develop our own learning materials internally and maintain them”

| Czech center of pharmaceuticals company

While delivery of greater excellence across the scope of current HR services is a key first step, many of the HR operations leaders of these SSCs are ambitious to expand their coverage of HR services and show some level of frustration with their current relations with the business.

In addition, Eastern European SSCs are coming under pressure with staff retention and hence need to improve their ability to retain their own personnel and knowledge and train both incoming and existing staff.



Ambitions of HR SSC operations leaders:

“Our vision is to have more HR processes under this service center to improve the economies of scale at this site as a whole”

| Polish center of major manufacturer

“We can help the business more, rather than just reacting to their requirements for change”

| Polish center of major manufacturer

Transformation Initiatives Required and Obstacles to HR Operating Model Transformation

Although improving the quality of services and the quality of the employee experience are important considerations, Eastern European HR SSC leaders view the current main drivers for adoption of HR transformation to be cost pressure in the face of rising efficiency expectations and the need to keep up with technology.

Drivers for adoption of HR transformation:

“Improving efficiency and maximizing the productivity of the HR team”

| Polish center of professional services firm

“The need to adapt to new technology and the expectation of improved efficiency”

| Polish center of major manufacturer

“Changes in technology and ensuring we are not left behind”

| Czech center of pharmaceuticals company

The provision of personalized learning is increasingly being seen as a key part of the employee experience and essential to employee retention, productivity, and career development. Accordingly, the development of learning capability is a major transformation theme for Eastern European HR SSCs, along with improvements to the employee self-service experience.

Re-engineering of learning processes and technology:

“Deployment of a new LMS is a key objective....improving employee access to self-assigned learning and automating/improving manager self-service for administering employee training assignments”

| Polish center of major manufacturer

“Improving our learning systems so that we have easier assignment of digital learning and better access to records”

| Czech center of major manufacturer

Ongoing improvements to the employee self-service experience:

“Working to make the employee self-service toolset more user-friendly”

| Polish center of major manufacturer

“Self-service and mobile tools are being refreshed”

| Polish center of high-tech company

“Implementation of wider employee self-service tools”

| Romanian center of telecoms company

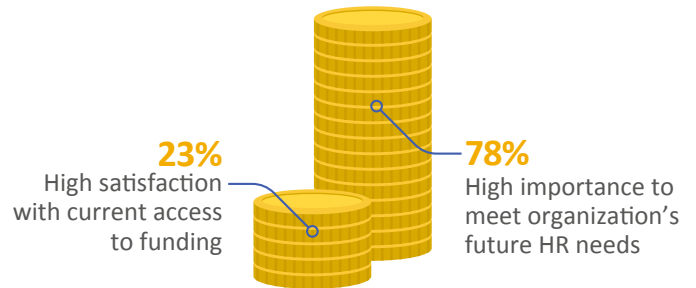
Transformation Initiatives Required and Obstacles to HR Operating Model Transformation (cont.)

However, despite these individual transformation initiatives, Eastern European HR SSCs are highly constrained in their ability to transform. HR operating models are under pressure from changing workforce expectations and the possibilities offered by new technology. Despite the high acknowledgment of a strong need for change, only 20% of Eastern European HR SSCs are currently undertaking or planning to undertake HR operations transformation initiatives over the next 5-years.

The main obstacles to achieving the desired HR operating model transformation are the common ones related to the complexity and difficulty of getting management buy-in and securing budget.

Many shared service centers have traditionally experienced difficulty in obtaining funding for new initiatives once the center has been established. This gap continues to exist.

Access to funding to invest in new technologies and operating models



The issues of management buy-in and access to budget are compounded by the lack of HR IT knowledge and resources and the lack of the necessary skills and manpower to deliver change.

Obstacles to HR operating model transformation:

“The service center isn’t seen as a key element in transformation at a senior level”

| Polish center of pharmaceuticals company

“Stakeholder support is difficult to achieve for projects that have softer outcomes and some great initiatives have been shelved for this reason”

| Slovakian center of pharmaceuticals company

“We are unable to secure adequate budget”

| Hungarian center of major retailer

Lack of budget and skills to deliver change:

“Only incremental changes have been possible, leading to disjointed systems and processes. We need a larger budget to bring all these changes together and to maximize return on our efforts”

| Polish center of major manufacturer

“Lack of internal IT knowledge to realize change is a big hindrance”

| Polish center of financial services company

“We lack the right people within the change team to ensure change happens – too many obstacles”

| Lithuanian center of major manufacturer

Use of Technology Leaders as Enabling Partners

Eastern European HR SSCs have typically implemented some form of mobile-enabled self-service, even if it now needs further enhancement to keep up with technological advances. However, seamless integration across HR systems, which is key to a low-touch employee experience and widely regarded as highly important, is still at a low level of maturity in Eastern European HR SSCs.

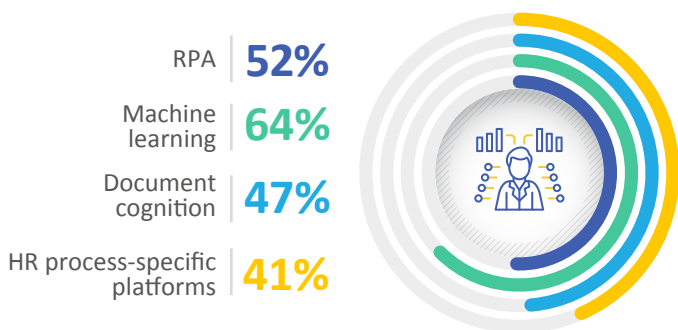
Overall, the additional HR transformation initiatives beyond those currently planned that HR operations leaders in Eastern European HR SSCs would like to carry out are typically technology-centric. The main themes are improving the technology underpinning employee and manager self-service and replatforming elements of the current HR systems portfolio.

Seamless integration across HR systems:



In addition, there remains a considerable need for further technology deployment, with the majority of HR SSCs requiring significant further deployment of automation technologies such as RPA and machine learning. This situation is now being further compounded by the rapid emergence of generative AI and its potential for application in areas such as resume analysis, the development of personalized onboarding plans, and the production of tailored learning paths.

Proportions of HR SSCs that still need to deploy each of a range of key technologies to a high extent:



Improving the technology underpinning employee and manager self-service:

“We need to improve the flexibility of our self-service tools to reduce calls to the service desk”

| Slovakian center of CPG company

“We need to improve employee self-service tools – I think we should be able to place the vast majority of services into an app but we are facing continual change and it makes it difficult to interface anything”

| Hungarian center of services company

“We need to improve manager options for self-service as currently too much requires other interactions with the HR department for relatively simple tasks”

| Latvian center of financial services company

Use of Technology Leaders as Enabling Partners (cont.)

Replatforming elements of the current HR systems portfolio:

“We need to replace older systems to reduce the cost of managing IT”

| Czech center of major manufacturer

“We need to move to a single system and retire legacy systems from M&A activity...”

| Polish center of distribution company

“I’d like to replatform, but we are undertaking a number of incremental improvements which are a lower cost but will ultimately lead to a more complex environment”

| Hungarian center of major retailer

However, Eastern European HR SSCs frequently find it hard to access appropriate HR IT skills to address these requirements from within their parent organizations. This can potentially have an adverse impact on the quality and cost of the HR service and the employee experience. A poor employee experience in the current environment will likely lead to an increase in silent quitting within the parent organization, which can have a much wider impact than frustration within the HR SSC itself.

Accordingly, the use of a third party with both HR operations and HR technology knowledge may prove beneficial in hastening the delivery of change within the HR SSC and easing frustrations among the employees served from the center.

“We need to identify appropriate technology partnerships to help us deliver change”

| Hungarian center of major manufacturer



Harnessing the Experience of Third-Party Providers

HR operations leaders in Eastern European SSCs would prefer to have all the resources they need for process and technology transformation under their control within their center. However, they often lack technology expertise and this is unlikely to be authorized by senior management in the majority of instances. Accordingly, it may be appropriate to consider the use of third-party providers.

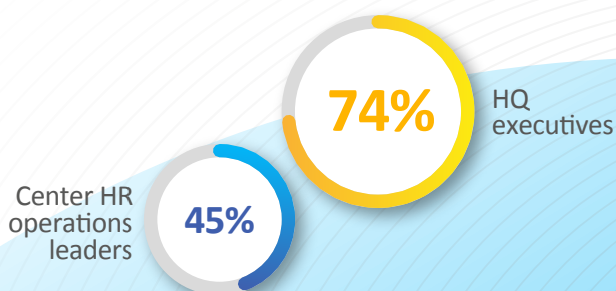
Indeed, executives with HR responsibility in enterprise regional headquarters may be more willing to use third parties for re-engineering, and even running, aspects of the HR SSC than in-center executives might expect.

Some HQ executives are prepared to go even further. Overall, 26% of HQ executives would be highly willing to outsource their HR SSCs to achieve HR process transformation, and 34% would be willing to buy these HR services from a BPO vendor.

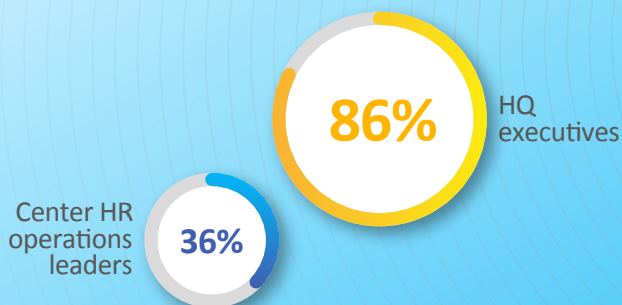
Another option to achieve scale and build a case for HR SSC transformation is to establish the center as a service provider to other organizations. This can be achieved by either selling the HR SSC to a service provider, which has the potential advantages of rapid HR operating model transformation while freeing up cash for investment, or organically.

However, the latter approach is a challenging exercise. Nearly 20% of the organizations interviewed have considered monetizing their HR SSCs in the past, but these all fell through due to it being a distraction from the core business and an inability to establish a viable business case. None of the HQ executives interviewed are currently willing for their HR SSC to become a third-party BPO service provider itself.

Highly willing to use a third party to re-engineer the HR SSC



Highly willing to use a third party to run aspects of the HR SSC



Conclusions & Recommendations

Conclusions

- Employee experience and career development expectations have increased considerably post-pandemic, with the result that HR services have become key strategic tools
- This increases expectations from Eastern European HR SSCs, which now have an increasingly critical role to play in enterprise staff retention and development
- At the same time, the “efficiency pressure” on Eastern European HR SSCs has increased as a result of global business uncertainty
- As a result, 55% of Eastern European HR SSC operations leaders now express a high need to refresh their HR operating models & technology
- However, Eastern European HR SSC operations leaders perceive that their ability to transform is constrained by the difficulty of getting management buy-in and securing budget and lack of direct access to appropriate IT resources
- Access to HR IT and automation-literate resources is critical. Many Eastern European HR SSCs are already lagging in the adoption of new technology and the new wave of GenAI technology is about to have a huge impact on the way HR services are delivered



Recommendations

- To meet increased expectations, GBS leaders, CHROs, and COOS need to evaluate transforming their HR SSC operating models
- They should pay particular attention to their employee self-service capabilities, e-learning support for employees, and the levels of process integration and automation
- The role of IT is critical in transformation, and GBS leaders and COOS should evaluate the benefits of providing more direct access to HR-literate IT and automation resources within their Eastern European HR SSCs
- They should also consider the potential benefits of an HR platform refresh transitioning to SaaS and the application of generative AI, which will rapidly become a key technology for content generation within HR
- CFOs and CPOs should evaluate partnering or monetizing their HR SSC with a third party to access the necessary skills and funding models for this heavily IT-dependent HR operating model transformation





Arrange a Confidential Discussion

If you have any questions, or would like to discuss HR Transformation in confidence with a member of our HR Leadership, please reach out to **Agnieszka Jackowska**, Strategic Business Practice Head – HRO and Country Head (Poland), Infosys BPM

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About Infosys BPM

Infosys BPM Limited, a wholly owned subsidiary of Infosys Limited (NYSE: INFY), was established in April 2002. The company offers integrated end-to-end transformative business process management (BPM) services and have journeyed through the table-stakes of effectiveness and efficiency with an ever-increasing focus on enhancing stakeholder experience and empathy. Infosys BPM enables clients to navigate their digital journey, operating from 42 delivery centres across 16 countries, with over 57,900 people from 124 nationalities.

One of Infosys BPM's key offerings – the Human Resource Outsourcing (HRO) services, focus on integrated consulting, technology, and outsourcing solutions that are flexible and adaptable to clients' business and industry needs. From talent sourcing and development to engagement and retention, they help global clients achieve robust HR functions through their HR outsourcing, technology, and consulting practices. Using a transformation-driven approach, Infosys BPM builds customized roadmaps that help clients achieve their key business objectives, such as enhancing employee experience, ensuring compliance and control, achieving operational excellence, and improving working capital efficiency.

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About NelsonHall

NelsonHall is the leading global analyst firm dedicated to helping organizations understand the 'art of the possible' in digital operations transformation. With analysts in the U.S., U.K., Continental Europe, and India, NelsonHall provides buy-side organizations with detailed, critical information on markets and vendors (including NEAT assessments) that helps them make fast and highly informed sourcing decisions. And for vendors, NelsonHall provides deep knowledge of market dynamics and user requirements to help them hone their go-to-market strategies. NelsonHall's research is based on rigorous, primary research and is widely respected for its analysis's quality, depth, and insight.

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