Organizations are facing wide-ranging challenges to their business and people, including:

- An uncertain economic environment
- Rapid changes in business needs
- A tight labor market and skill shortages
- Rising disengagement
- Hybrid/remote work environments

One thing is clear: organizations need to invest in HR technology to address these pain points and drive results.

Since the pandemic, HR organizations have adjusted their short-term goals to optimize work-from-home models, drive employee self-service, deploy user-friendly tools and improve communication from leadership.

Longer-term goals are focused on broader HR transformation, including new operating models, new capabilities and skillsets and a move to more agile HR delivery.

To better understand the current HR technology market, ISG surveyed enterprise leaders about their HR technology landscape, priorities and future plans. We sought organizations of varying sizes - from 5,000 employees to more than 50,000 employees - across a wide range of industries. Because we have data from similar surveys every two years for the past ten years, the findings tell us a great deal about how enterprise HR is changing.

Today's enterprise landscape contains varying levels of HR technology maturity, with some organizations moving to HR software as a service (SaaS) more slowly than anticipated. But the ongoing shift to HR SaaS remains strong, and companies are achieving a healthy return on investment with their HR tech transformations.

While cost savings are being achieved with HR technology, more than half of the organizations we surveyed are struggling to achieve clear business value from their HR technology. Organizations seek better business outcomes, such as reduced time to hire, improved HR efficiency and improved retention. To achieve these outcomes, organizations are recognizing that they need to redesign their business processes and their end-to-end delivery of HR services in conjunction with their HR technology deployments.

For organizations that have already completed their journey to HR SaaS, many are struggling to keep up with the pace of change in HR technology. Too often, organizations are failing to invest in new technology/enhancements or optimize their HR technology model. To achieve better business value, organizations will need to become more adept at aligning their technology strategy to their business strategy, budgeting for ongoing improvements and continually evaluate new technology. Only then will we see consistent results.

Organizations are evaluating not just their HR technology model, but their HR service delivery model. HR shared services and outsourcing are proving to be solid strategies to achieve HR delivery goals. Most organizations intend to increase their use of a centralized model (either shared services or outsourcing), and most are seeing improvements in quality as well as reduced costs.
HR Technology: Key Trends and Analysis

This year’s study shows a clear bifurcation in the market between organizations that have invested in new HCM technology and continue to move their model forward and those that have slowed plans for HR technology transformation. The data show over a third of organizations still remain on on-premises solutions, with this same percentage of companies primarily using SaaS or hybrid models.

We expected to see a larger percentage of organizations move away from on-premises solutions, but the impacts from the pandemic, business priorities, workforce challenges and a desire to extend the investment of current solutions have slowed the journey to SaaS for this group. Internally developed systems were also reported at a higher rate than expected.

Figure 1 depicts the aggregate response from survey participants when we asked them to select one profile that best describes their expected HR technology model in 2025.

The findings indicate that, while this bifurcation in the market will continue in the near term, the number of on-premises and hosted solutions in the market is expected to decline by about a third in the next two years. The number of organizations expecting to be on a subscription-based SaaS or hybrid solution in 2025 sits at almost half of those surveyed.
For organizations investing in an HCM transformation, driving factors include the need for talent, a more globally harmonized and agile model, better integration, reduced costs and improvements in employee experience and engagement. Figure 2 depicts the most important outcomes organizations have gained or expect to gain in adopting SaaS.

**Top Three Most Important Outcomes from Adopting HR SaaS Technology Solutions**

- Improve ability to attract, develop and retain talent: 36%
- Enable a globally harmonized HR operating model: 31%
- Improve integration with key business applications: 30%
- Enable agility for HR: 25%
- Gain access to ongoing innovation and leading HCM practices: 23%
- Enable agility for the business: 23%
- Reduce HR administration cost: 23%
- Increase employee engagement: 23%
- Improve the employee user experience: 22%
- Reduce dependency on IT: 19%
- Reduce technology cost of ownership: 16%
- Speed to implement and achieve value: 16%
- Improved data quality and insights: 9%
- Facilitate a corporate culture of diversity, inclusion and equity: 3%
- Support hybrid work models: 1%

*Source: ISG | Figure 2*
Enabling a globally harmonized HR operating model ranked as the second most important outcome in this year’s study. HR organizations know a harmonized model is foundational to delivering timely, high-quality service, enabling a positive employee experience and simplifying their technology model. Organizations are adopting an increasing number of modules/products from their HCM vendors to further harmonize their models.

Improving integration with key business applications ranked higher in this year’s study compared to the prior study, coming in as the third most important outcome. A more connected model plays an important role in providing a seamless employee experience, enabling improved productivity and making employees’ work easier. The increasing focus on integrations can be seen through investments by leading providers to aid with extensibility, such as UKG’s release of its FleX platform and Paylocity’s acquisition of Cloudsnap.

In today’s environment, HR’s success depends on its ability to support the rapid pace of change. Given how quickly the business environment is changing, if organizations cannot move quickly, they will not survive. Therefore, increasing agility for HR is a top concern for survey respondents; an agile operating model and configurable technology help support that strategy. New product capabilities, such as workforce planning functionality, demonstrates how technology providers are supporting change and agility needs.

“In today’s environment, HR’s success depends on its ability to support the rapid pace of change.”
Evaluating New HR Technology

Over the last few years, as organizations have evaluated new technology, they have consistently prioritized certain capabilities and features. Figure 3 shows the criteria that drive HR technology selection decisions.

With the increasing number of cybersecurity attacks on large corporations and the associated media and public attention, it’s no surprise that data security once again tops the list of criteria for selecting a new HR platform. Ease of use ranks as the second highest priority in selecting HR technology. Creating an environment that makes everyday activity easier is a priority, and software

How Important Are the Following Criteria?

- Data Security: 44%
- Ease of Use: 36%
- Analytics and AI: 32%
- Integrated Ecosystem: 30%
- Chat, Voice and Self-service: 29%
- Depth of Functionality: 28%
- Ease of Maintenance: 27%
- Mobile Access: 26%
- Automation: 26%
- Global Design: 25%
- Configurability: 25%
- Modern Look / Feel (UI): 24%
- Ability to Extend to Other ERP Modules: 24%
- Cost of Ownership: 21%
providers continue to invest heavily across the full employee lifecycle to achieve this objective. Alongside ease of use is an integrated ecosystem, which facilitates a more seamless experience for employees, consistency of data and a common look and feel for end users.

The data show that 32 percent of organizations are prioritizing AI and analytics this year. This jump reflects business’ desire to surface forward-looking insights and enable agility. In response, leading HR technology providers, such as such as Oracle, SAP SuccessFactors and Workday, are focused on embedding AI, machine learning and analytics in the core platform.

Just 21 percent of respondents cited cost of ownership as a top criterion, highlighting that most respondents prioritized strategic and operational priorities over pure cost considerations. Organizations want to get to the right solution first.

**Gaps in Business Value**

Figure 4 depicts organizations’ answers when asked if they have achieved measurable business value in their adoption of HR SaaS technology.

This year's results indicate only 46 percent of organizations have achieved clear business value by adopting HR SaaS technology, a drop of 18 percent from the prior study. One reason for this is that HR buyer expectations have increased. Beyond improving the user experience, organizations are seeking improved functionality that translates directly to greater operational efficiencies, reduced cycle times and other measures of business value.
In over half of the cases, this drop in achieved measurable success is directly linked to the failure to change HR business processes and/or change the HR service delivery model when implementing new systems, as seen in Figure 5. Increasingly, organizations recognize the need to evolve their business model to take full advantage of SaaS technology and functionality. However, the time and support needed to make this transformation can be a barrier. When shortcuts are taken, organizations experience the impact in terms of lower adoption.

**Why Did You Not Boost Measurable Business Value?**

- We don’t measure business value: 21%
- We didn’t materially transform our business processes when implementing our HR SaaS platform: 35%
- Inadequate Change Management: 9%
- Our HR SaaS platform did not meet our expectations for business value: 14%
- We didn’t materially adapt our HR service delivery model when implementing our HR SaaS platform: 21%

Source: ISG | Figure 5
Another dynamic contributing to gaps in business value is the ongoing struggle for companies to keep up with the degree of change in HR technology. Aligning to the business strategy, assessing new technology capability and ensuring an effective ongoing update process with new software releases (typically two to four times a year) are critical components to achieving consistent business outcomes.

One area organizations are consistently achieving results: cost savings. Figure 6 highlights that 87 percent of organizations are achieving savings of 10 percent or more on total HR administration costs, and 20 percent of companies are achieving savings of 40 percent or more on total HR administration costs.

Over three-fourths, or 77 percent, of organizations were able to achieve more than 10 percent cost savings in IT/Technology Operations, Maintenance and Support. Almost half, or 45 percent, of respondents achieved more than 20 percent IT savings. Just 7 percent of respondents spent more or were unable to achieve IT cost savings.

What Savings Are You Able to Achieve by Leveraging SaaS?

### HR Admin and Management

<table>
<thead>
<tr>
<th>Savings</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No savings</td>
<td>4%</td>
</tr>
<tr>
<td>Less than 10%</td>
<td>7%</td>
</tr>
<tr>
<td>10-20%</td>
<td>29%</td>
</tr>
<tr>
<td>20-30%</td>
<td>19%</td>
</tr>
<tr>
<td>30-40%</td>
<td>19%</td>
</tr>
<tr>
<td>40-50%</td>
<td>13%</td>
</tr>
<tr>
<td>&gt;50%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Source: ISG | Figure 6

### IT/Tech Operations, Maintenance and Support

<table>
<thead>
<tr>
<th>Savings</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spent more</td>
<td>1%</td>
</tr>
<tr>
<td>No savings</td>
<td>6%</td>
</tr>
<tr>
<td>Less than 10%</td>
<td>15%</td>
</tr>
<tr>
<td>10-20%</td>
<td>32%</td>
</tr>
<tr>
<td>20-30%</td>
<td>26%</td>
</tr>
<tr>
<td>30-40%</td>
<td>12%</td>
</tr>
<tr>
<td>40-50%</td>
<td>5%</td>
</tr>
<tr>
<td>&gt;50%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: ISG | Figure 7
Investing for the Future: Investing in the Experience Layer

To get a sense of what the future looks like, we asked survey respondents to rank the highest priority for HR IT spend over the next two years. Figure 8 shows how organizations ranked the top three areas of investment.

HR delivery technology and the experience suite rank as the highest priority of investment for enterprises over the next two years. Organizations continue to focus on improving the employee experience, simplifying the employee journey through self-service capability and improving the efficiency of the end-to-end HR model.

Talent Management is the third highest ranked priority for HR IT spend over the next two years. Current organization challenges and broader macro workforce trends tell us that talent will remain a critical area of investment for years to come.

Analytics and AI are fast-growing areas of investment in the market and top enterprise priorities. HR needs to be more flexible and responsive. Analytics and AI give organizations the strategic and tactical data they need to see trends and provide insight to the business. Forward-looking information helps organizations lead the market instead of react to the market; analytics and AI capabilities will be important differentiators among HR technology providers.

Source: ISG | Figure 8

Highest Priority for HR IT Spend Over the Next Two Years

<table>
<thead>
<tr>
<th>Category</th>
<th>Rank 1</th>
<th>Rank 2</th>
<th>Rank 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR Service Delivery Technology/Experience Suite</td>
<td>34%</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>Analytics and AI</td>
<td>20%</td>
<td>16%</td>
<td>10%</td>
</tr>
<tr>
<td>Talent Management Solutions</td>
<td>13%</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>Employee Wellness Solutions</td>
<td>12%</td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>Customizing applications</td>
<td>8%</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>Robotic Process Automation</td>
<td>7%</td>
<td>16%</td>
<td>12%</td>
</tr>
<tr>
<td>HCM (SaaS) solution</td>
<td>6%</td>
<td>9%</td>
<td>13%</td>
</tr>
<tr>
<td>Payroll</td>
<td>2%</td>
<td>2%</td>
<td></td>
</tr>
</tbody>
</table>
How Are HR Technologies Innovating to Support Staffing Challenges?

With a tight labor market and talent scarcity, talent acquisition teams are reinventing talent strategies to attract new candidates. Organizations need to improve sourcing, broaden talent pools, market themselves proactively and create connections with candidates. Companies need to provide candidates access to easily apply and communicate through various channels and create a better candidate experience. And hiring teams need to move fast on hiring decisions.

There is significant investment in technology to address these dynamics, and organizations investing in talent acquisition technologies have leveraged them to effectively react in this market. Some of the primary ways technology is bringing value include:

- **Candidate relationship management** technologies help sourcing teams establish relationships and build trust with candidate pools. They create a more robust database of current and past candidates for teams to target and ultimately reduce time to fill.

- **AI and talent analytics** provide insight to broaden the candidate pool, match the best candidates, understand the best sources of hire and identify bottlenecks in the process.

- **Talent marketplaces** surface opportunities not just for external candidates but internal candidates, too.

- **Upskilling** technology identifies current skills gaps against future needs and strategies for upskilling or hiring.

- **Assessments** filter applicant pools and enable recruiters to spend time with the most qualified candidates.

- **Video interviewing** technology provides 24/7 flexibility for candidates and quicker response times.

- **Automation** enables a more streamlined process for sourcing, matching, screening and interviewing – improving the candidate process along the way.

- **Onboarding** technology enables organizations to better connect with new hires, guide them through the process and build early relationships.

Overall, these technologies enable talent acquisition teams to better respond to the hiring needs of the business and provide a positive experience for internal and external candidates.
Most organizations continue to require at least some commitment to weekly onsite work. Nearly three-quarters of organizations expect more than 60 percent of employees to work onsite. And nearly two-thirds of respondents do not support a work-from-anywhere approach.

Many organizations believe remote work is not providing the level of productivity seen from an onsite model. Many believe that team collaboration and communication – as well as learning – happen more effectively in person. Organizations are seeking the right model.

Creative approaches to WFH and hybrid models are emerging. For example, one organization allows a new hire to choose a “persona” that lines up with their workplace preference, such as: 1) working 100 percent of the time in an office, 2) working 2-3 days in an office, or 3) working 100 percent remotely. New hires who choose to work remotely 100 percent of the time may not have all the opportunities of the company career path available to them, but employees are empowered to make the choice and understand the impact of their decision.

Looking Forward: What Is the Future of WFH?

- >80% onsite: 5%
- 60-80% onsite; remainder WFH: 25%
- 40-60% onsite; remainder WFH: 40%
- 20-40% onsite; remainder WFH: 23%
- <20% onsite; remainder WFH: 7%

Source: ISG | Figure 10
Deploying New Technology: Experience in the Chosen Technology and Industry Drives SI Selections

Most HCM technology implementations are managed by a third-party systems integrator (SI). Figure 11 outlines the top factors in selecting an SI.

In selecting an SI partner, the top three priorities are: 1) a partners’ depth of experience with the given technology being implemented, 2) a well-defined methodology and approach, and 3) success in the specific client industry. Success stories specific to the technology and industry with similar criteria can be powerful for buyers embarking on large-scale engagements. Depth of industry expertise with industry accelerators is no longer optional.

Ten percent fewer organizations in this year’s study prioritized price. Price will always be an important factor in any decision to implement new technology, but organizations are more focused on elements of project success such as experience, ability to manage broad scope and the accelerators SI’s bring to the implementation.

While the least important decision criterion for SI partners is the delivery team, it is an area of critical importance that we believe should be higher on the buyer’s list of top factors. Confirming specific resources and the team’s experience implementing in-scope modules for clients of similar size and complexity are critical steps in selecting a provider. With the level of current market activity and somewhat limited resourcing, some providers are struggling to staff projects – making it even more important to lock in key resources for implementation.

Top Three Factors in Selecting a Systems Integrator

Source: ISG | Figure 11
HR Tech Capability

As we have done in past surveys, we once again wanted to understand the maturity levels of HR tech environments in global companies. And we wanted to know how organizational capability is impacted by the adoption of HR technology, optimization of HR processes and the associated service delivery. ISG’s HR Tech Capability Model tracks an organization’s HR capabilities across five areas: 1) HR technology strategy, 2) HR processes, 3) HR service delivery, 4) direct access with employee self-service (ESS)/manager self-service (MSS) and 5) reporting and analytics.

Figure 12 depicts the ISG HR Tech Capability Model.
HR Technology Strategy Capability

One predictor of success is the extent to which organizations define an HR strategy to improve the employee experience and maintain an HR technology roadmap. Almost three-quarters of organizations in our study have created a formal HR technology strategy to improve the employee experience. These organizations consider themselves generally successful in translating their strategy into actual improvements in employee experience through HR technology. It is encouraging that the practice of formalizing a strategy on employee experience and taking steps to achieve it is increasingly widespread.

Organizations report a relatively less successful outcome in maintaining a three-year HR technology roadmap; only 37 percent of organizations claim to have moderate or greater success in this area.

A similar opportunity exists with respect to reviewing and incorporating new functionality with each HCM release. Just over a third of organizations report strong success here.

There has been a lot of discussion over the years about enabling HR partners to be more strategic. Developing a three-year technology roadmap and planning for new technology updates helps shift organizations to a more strategic, proactive model. Data in the graph to the right demonstrate that organizations are not effectively leveraging their HR technology to be proactive; less than one-third of respondents report moderate or greater success in this category.

---

**How Successful Is Your Organization at . . .**

**Maintaining a Three-year HR Tech Roadmap?**

<table>
<thead>
<tr>
<th></th>
<th>Not Successful</th>
<th>Average Success</th>
<th>Moderate / Very Successful</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>14%</td>
<td>50%</td>
<td>37%</td>
</tr>
</tbody>
</table>

Source: ISG | Figure 13

**How Successful Is Your Organization at . . .**

**Leveraging HR Tech Solutions to Be Proactive?**

<table>
<thead>
<tr>
<th></th>
<th>Not Successful</th>
<th>Average Success</th>
<th>Moderate / Very Successful</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>21%</td>
<td>48%</td>
<td>32%</td>
</tr>
</tbody>
</table>

Source: ISG | Figure 14
HR Process Maturity

To achieve HR efficiency and effectiveness and provide a positive employee experience, it is critical to optimize processes. Roughly three-quarters of organizations report at least some success in optimizing their HR processes to align to their HR technology platform. An equal number also report success optimizing processes to the “moments that matter” for employees and managers.

According to our study, organizations are relatively less successful in harmonizing HR processes across business lines, with just over one-third of organizations describing moderate or better success. There is always a balance in meeting the needs of a specific business line with overall enterprise goals of simplifying operations and maximizing business value. The most successful companies agree on global design goals and establish a clear path to limit exceptions.

A related area of opportunity is enabling agile teams and processes in the HR organization. While the desire for increased agility showed up as a key driver for purchasing HR technology in this year’s study, just 35 percent report solid success in enabling agility.

Harmonizing processes and moving to a more agile model are important goals for many modern HR organizations – and are areas where ample opportunity exists.

<table>
<thead>
<tr>
<th>How Successful Is Your Organization at . . .</th>
<th>Harmonizing HR Processes across Business Lines?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Successful</td>
<td>Average Success</td>
</tr>
<tr>
<td>17%</td>
<td>53%</td>
</tr>
</tbody>
</table>

Source: ISG | Figure 15

<table>
<thead>
<tr>
<th>How Successful Is Your Organization at . . .</th>
<th>Enabling Agile Teams and Processes?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Successful</td>
<td>Average Success</td>
</tr>
<tr>
<td>14%</td>
<td>51%</td>
</tr>
</tbody>
</table>

Source: ISG | Figure 16
HR Service Delivery Model

An HR organization’s ability to align its service delivery model to its technology and processes is integral to its success. Shifting transactional services to self-service or shared services and leveraging higher-level HR business partners for more strategic services are common ways organizations improve HR service delivery. To achieve the value of full transformation, organizations should examine HR delivery options, including new roles, changing responsibilities and shifting skillsets. The new model often requires new skills and capabilities that may not currently exist in the organization.

This year’s study shows:

- Two-thirds of organizations have aligned their service delivery model to their HR technology platform.
- 60 percent of organizations cite above-average success redefining responsibilities and optimizing the HR interaction model.
- 66 percent claim above average success aligning, hiring and upskilling employees for the new model.
- Two-thirds of organizations state they have had above-average success in optimizing their service delivery model to improve their employee experience.

While the market is seeing progress in aligning the model, responsibilities and skillsets, there are clear opportunities that remain, including:

- Service delivery alignment requires significant change management, a fact that more than one-quarter of organizations continue to underestimate.
- Measuring and reporting on HR service delivery effectiveness is foundational to improving HR services. One-third of companies surveyed struggle to measure and track service delivery effectiveness. Despite significant investments in HR transformations, leaders often do not take the time to monitor effectiveness. Measuring and further standardizing HR delivery often reveals improvement opportunities.
- Only 40 percent of respondents report success in leveraging HR as a strategic partner, indicating a clear opportunity for organizations.
Service Delivery Model Utilization

A strong preference for centralized HR services (whether with internal shared services, outsourcing or hybrid models) remains clear. Less than 23 percent of organizations indicate the use of a decentralized model across any of the HR service categories. There has been an increase in adoption rates for internal shared services, particularly in compensation administration, talent acquisition (recruiting) and HCM application maintenance support. For the areas of payroll, global mobility, health and welfare and retirement administration, some degree of outsourcing is more prevalent than pure internal shared services.

Payroll in particular has been an active market as organizations evaluate more robust global or regional strategies and solutions. Multi-national companies struggle with a range of challenges, including multiple payroll systems, a lack of consolidated reporting and analytics, compliance issues and non-standard approaches to vendor management and governance. The changing landscape is forcing multi-national companies to look carefully at country-level payroll decisions and recognize the need for a more centralized and standardized approach to risk, compliance, cost and governance.

What Is the Primary Delivery Model Your Organization Has Implemented for the Following HR Functions?

<table>
<thead>
<tr>
<th>HR Function</th>
<th>Internal Decentralized</th>
<th>Internal Shared Service</th>
<th>Outsourced</th>
<th>Hybrid Internal / Outsourced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Talent Acquisition (Recruiting)</td>
<td>23%</td>
<td>43%</td>
<td>22%</td>
<td>12%</td>
</tr>
<tr>
<td>Workforce Administration</td>
<td>21%</td>
<td>45%</td>
<td>19%</td>
<td>15%</td>
</tr>
<tr>
<td>HCM Application Maintenance Support (AMS)</td>
<td>15%</td>
<td>50%</td>
<td>18%</td>
<td>17%</td>
</tr>
<tr>
<td>Workforce Management (Time and Attendance)</td>
<td>22%</td>
<td>43%</td>
<td>19%</td>
<td>15%</td>
</tr>
<tr>
<td>Compensation Administration</td>
<td>16%</td>
<td>48%</td>
<td>23%</td>
<td>13%</td>
</tr>
<tr>
<td>HR Reporting &amp; Analytics</td>
<td>19%</td>
<td>42%</td>
<td>23%</td>
<td>15%</td>
</tr>
<tr>
<td>Learning Management</td>
<td>14%</td>
<td>46%</td>
<td>26%</td>
<td>13%</td>
</tr>
<tr>
<td>Performance Management</td>
<td>15%</td>
<td>44%</td>
<td>21%</td>
<td>20%</td>
</tr>
<tr>
<td>Health &amp; Welfare Benefits Administration</td>
<td>18%</td>
<td>39%</td>
<td>24%</td>
<td>19%</td>
</tr>
<tr>
<td>Global Mobility</td>
<td>14%</td>
<td>40%</td>
<td>28%</td>
<td>18%</td>
</tr>
<tr>
<td>Payroll</td>
<td>13%</td>
<td>41%</td>
<td>28%</td>
<td>18%</td>
</tr>
<tr>
<td>Retirement Benefits Administration</td>
<td>17%</td>
<td>36%</td>
<td>30%</td>
<td>17%</td>
</tr>
</tbody>
</table>
When we break down service delivery models, we see that 68 percent of organizations expect to begin or increase their reliance on shared services and 60 percent expect to begin or increase their reliance on outsourcing. These both represent higher numbers than our last survey, which saw 55 percent beginning or increasing their reliance on shared services and 50 percent beginning or increasing their reliance on outsourcing. The results indicate strong growth in both models as organizations undergo or continue significant transformation activity.

The largest increase in shared services over the past 18 months came from organizations with greater than 50,000 employees, of which a whopping 85 percent indicated an intent to increase (or begin) use of shared services. The largest increase in intent to increase or begin use of HR outsourcing came from organizations with less than 10,000 employees, at a significant 71 percent.

How Do You Expect Your Use of the Following HR Service Delivery Models to Change through 2023?

Shared Services
- 16% Begin Use
- 52% Increase Use
- 15% Decrease Use
- 3% Stop Use
- 13% No Change

HR Outsourcing
- 15% Begin Use
- 45% Increase Use
- 13% Decrease Use
- 9% Stop Use
- 17% No Change

Source: ISG | Figure 18
HR Outsourcing Impact

Outsourcing is generally seen as a successful strategy to achieve HR service delivery goals. Seventy-seven percent of survey respondents that rely on HR outsourcing agree that it improves service quality, and 59 percent agree that it reduces costs. Organizations most likely to state that HR outsourcing improves service delivery quality and reduces costs are those that are leveraging mobile-enabled employee and manager self-service (ESS/MSS) and live chat capabilities.

When looking at the impact of outsourcing by organizational size, we find that organizations between 10,000 and 15,000 employees are most likely to report that outsourcing improved service delivery quality. Organizations with 20,000-50,000 employees are the second most likely. This second group is most likely to see cost reductions.
Direct Access

HR organizations continue to evolve their modes of engagement to achieve higher levels of self-service and an improved user experience. **Mobile-enabled employee self-service (ESS) and manager self-service (MSS) jumped significantly this year to the top position and are used by 61 percent of organizations.**

Significant opportunity in ESS and MSS adoption remains. **Fewer than half of organizations leverage chatbot technologies for self-service, and even fewer – around 28 percent of respondents – offer knowledgebase/portal capabilities.** Organizations with more than 50,000 employees ranked particularly low in these two areas, with just 32 percent leveraging chatbots and 15 percent leveraging knowledgebase/portal.

For chatbots, there are a growing number of customer success stories across HR, recruiting, payroll and benefits to drive operational efficiency and boost employee and candidate experiences. And based on the increasing priority of the enabling service delivery tools (top HRIT investment cited in the next two years), we expect to see a rise in these numbers in 2024 and beyond as well.

### Modes of Engagement Supported by HCM Platform for HR Lifecycle Events

- **Mobile-enabled ESS/MSS**: 61%
- **Live Chat**: 52%
- **Voice/Email**: 50%
- **ESS-MSS (desktop only)**: 49%
- **Chatbots**: 44%
- **Knowledgebase or Portal**: 28%

**Source:** ISG | Figure 20
Reporting and Analytics Capability

HR organizations are increasingly finding success in fostering a data-driven culture in HR, with 43 percent describing themselves as moderately or very successful. With an increased thirst for data, there is increased pressure to deliver the data insights the business needs. Organizations were slightly less positive about providing direct access to the data needed, with 32 percent of organizations rating themselves moderately or very successful. Just over a third indicate good success in establishing enterprise-wide HR metrics that give them a common set of definitions and data across the organization. A similar percentage (36 percent) report success leveraging predictive analytics to enable insights-driven decision-making.

Clear opportunities remain, but results indicate that not only is there desire for data, but that the ability to surface HR insights to drive action is improving. Underpinning this positive direction: 72 percent of organizations say they are continually investing in applications or data to improve their HR analytics capability.

How Would You Rate Your Organization’s Success

- Fostering a data-driven culture in HR: 16% Not Successful, 41% Average Success, 43% Moderate / Very Successful
- Leveraging predictive analytics to enable insights-driven decision-making: 18% Not Successful, 45% Average Success, 36% Moderate / Very Successful
- Establishing enterprise-wide HR metrics: 15% Not Successful, 49% Average Success, 35% Moderate / Very Successful
- Providing HR professionals with direct access to the data and information that they need: 16% Not Successful, 52% Average Success, 32% Moderate / Very Successful

Source: ISG | Figure 21
Conclusion: Executive Guidance

In this year of constant change, uncertain market dynamics and ongoing talent challenges, organizations need to drive results through their HR investments. We see organizations acting in meaningful ways; they are changing their technology and operating model, focusing on enabling a more agile way of working and achieving cost savings. The following executive guidance is based on the results of our survey and our experience working with clients through their transformation journey.

1. **Double down on process optimization.** Simply put, investing in business processes leads to higher business value. Prioritize the hard work to harmonize processes across the enterprise.

2. **Focus on enabling technologies (e.g. chatbot, live chat and knowledgebase) to achieve the next level of HR efficiency and improved experience.** Organizations should consider the full end-to-end model, recognizing the importance of these service delivery tools in creating the right experience and achieving efficiencies.

3. **Take time to get the foundational elements for HR analytics right.** Analytics continue to be a topic of discussion and, while many organizations feel they have progressed on this journey, there is still much to do in terms of defining the right metrics, effectively tracking them, recognizing trends and taking swift action. Stepping back to align on data you want to capture and ensure consistency in the enterprise will accelerate success on the backend.

4. **Get started on AI if you haven’t.** There are plenty of promising use cases – whether in talent acquisition, talent marketplace, skills management or learning. Leaders who do not embrace AI solutions risk falling behind and missing opportunities to capture greater operational efficiencies, better insights and improved employee experiences.

5. **Prioritize the ongoing support model.** Companies often adopt HR SaaS without the full understanding of the pace of change and how best to operationalize the new model. Think through governance at the beginning. Plan (and budget) to review and take advantage of enhancements, incorporate new technologies and capitalize on market innovation.

6. **Evaluate shared services and outsourcing as effective strategies to lower cost and improve service quality.** Both models are achieving results in the market, and now is the time to evaluate new service delivery models and solutions. Create a business case to review strategic options, weighing the investments required and considerations aligned with your future state objectives.

7. **Employ speed as a strategy.** Seek products that support change and agility. To the extent you can simplify your technology footprint, harmonize processes and create a more agile operating model, you will be able to better support growth and react to the changing needs of the business.
Authors

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Stacey Cadigan leads the Human Capital Management and Enterprise Transformation practice at ISG. With more than 25 years in HR, she has leveraged her deep experience and expertise to help clients achieve their strategic, operational and financial objectives. Through her wide-ranging experience in HR strategy and transformation, HR technology, HRO and RPO operations and transitions, she has developed unique insight and the ability to ask the right questions to help organizations find solutions to effectively align their HR initiatives with their vision. Stacey has been named “HRO Superstar” by HRO Today Services and Technology Association every year from 2016 to 2022.

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