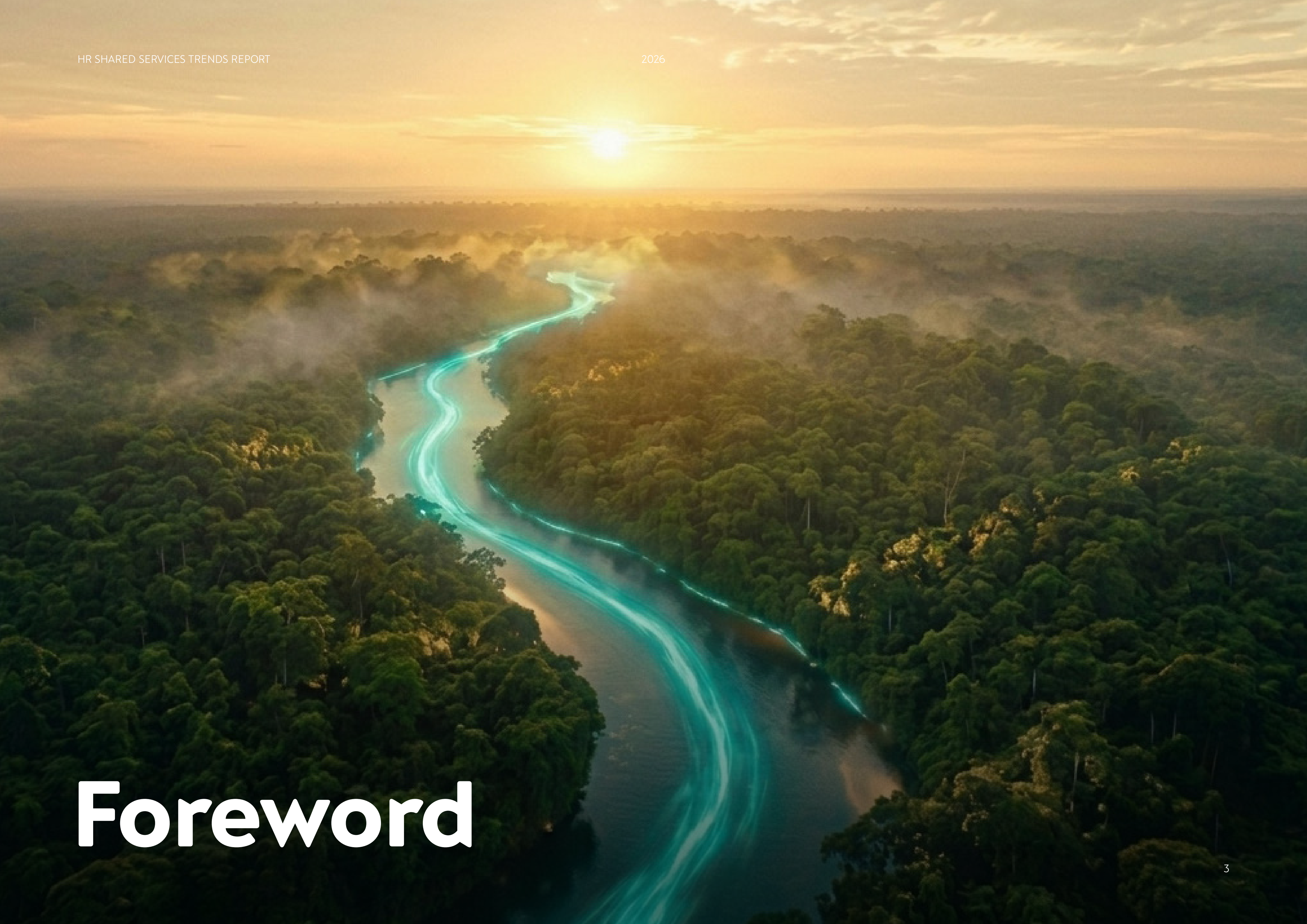
LACE Partners

HR Shared Services Trends Report 2026

HR Shared Services at a crossroads:

Can organisations balance AI, experience and value to unlock the next generation of services?

Content



Foreword

HR shared services is approaching a defining moment in its existence. Can organisations balance artificial intelligence (AI), experience and value to unlock the next generation of HR services?

The 2026 HR shared services trends highlight a function that has moved beyond its original mandate of transactional efficiency yet has not fully realised its potential as a strategic enabler of business value.

The data confirms that while AI adoption has accelerated rapidly, most organisations are still deploying it tactically rather than transformationally. AI is primarily focused on high-volume, rules-based activity, delivering efficiency gains but falling short of unlocking broader strategic value. The core constraint is not the technology itself, but whether organisations have the governance, capability and clarity to redesign their operating models around it. Without this, HR shared services risks plateauing at incremental improvement rather than achieving step-change impact.

In addition, the report highlights a persistent gap between ambition and execution. Strategic priorities remain consistent with previous years (efficiency, digitisation and experience), but HR shared service leaders continue to face barriers in funding, proving value, and building the foundational capabilities required to deliver change at scale. Measurement remains heavily skewed towards operational activity rather than business outcomes and key disciplines such as continuous improvement, integrated planning and value-based governance are not yet embedded. As a result, many HR shared service functions are trying to move forward while being held back by their own foundations.

HR shared services must evolve into the intelligence and insights engine of the HR organisation.

This is a core principle at the heart of LACE's 'Rewired HR'[1] thought leadership. It's not about adding more technology or expanding service scope but about orchestrating data, insight, experience and workflow into a cohesive engine that enables better decisions, prioritisation and value creation across the enterprise. The foundations described in this year's HR shared services trends report strong governance, integrated planning, robust knowledge management, and embedded analytics, not as optional enhancements but critical enablers of this shift.

The opportunity is clear. HR shared services is uniquely positioned to move beyond cost efficiency and become a platform for organisational performance. But this will not happen by default. It requires deliberate choices: to design operating models around value, to invest in capability as much as technology and embedded analytics, not as optional enhancements but critical enablers of this shift.

Those that succeed will not simply run HR more efficiently; they will fundamentally change the role HR plays in driving business outcomes.

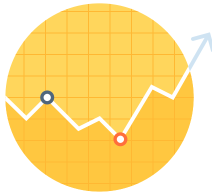
Scan the QR code to view the HR Rewired campaign

[1] LACE Partners (2026): 'Rewired HR'

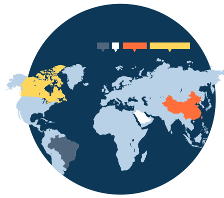
About the survey

Responses from CPOs, GBS and HR Shared Services leaders across 45 global businesses

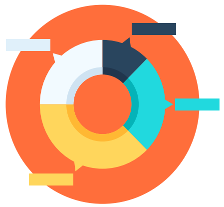
Most organisations (74%) employed between 1,000 and 50,000 employees, with nearly half of all respondents (44%) operating in an 'unconnected' industry group (e.g. utilities, construction, retail, transport and facilities).



HR shared services was part of Global Business Services (GBS) in 18% of organisations.



Most HR shared services organisations are based on a 'hub' model, with only 24% operating a local in-country model only.



47% have a large 'unconnected' or 'frontline' workforce (i.e. employees who typically have limited access to digital HR services and information).

71% use cloud based HCM/Payroll solutions. 62% use artificial intelligence in the delivery of HR services but only 13% currently use generative AI.

As per previous years, we developed an online survey covering four core topic areas in addition to strategic priorities. Questions covered both current ways of working and future aspirations and plans. The survey was sent only to CPOs, GBS and HR shared service leaders from global companies in our LACE network, thereby keeping the respondent profile at a senior strategic level.

It is hard to compare rankings on usage across years with some of the questions in our survey because the underlying respondent data set is different each time we conduct the research. As such, we've avoided making direct longitudinal trend comparisons in some areas this year.

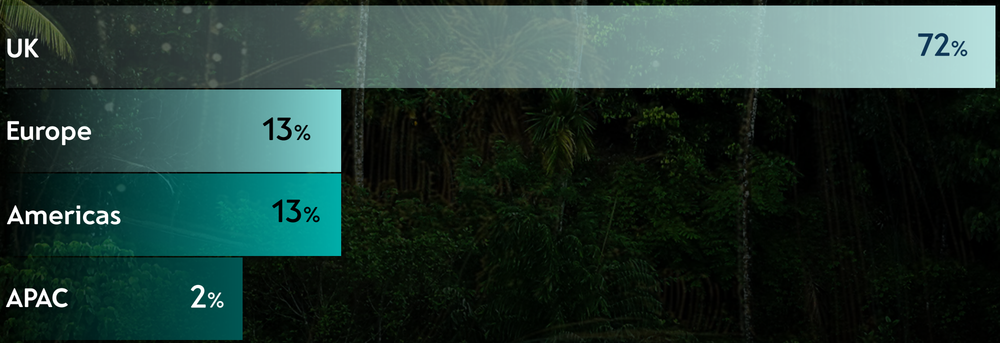
Organisation size

Industry

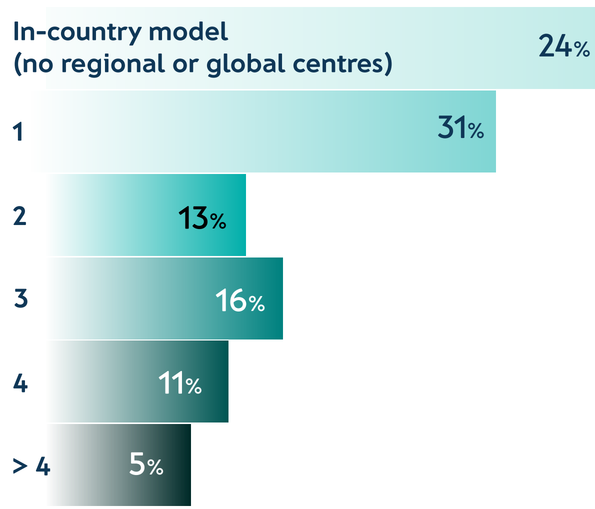
Industry Group	Industries included	
Unconnected	Construction , Hospitality , Manufacturing, Retail, Support Services, Travel and Transport, Utilities	44%
Knowledge based	Engineering, Professional Services, Real Estate, Financial Services	29%
High innovation	Media, Pharmaceuticals, Technology	20%
Public Sector		7%

Location of organisation HQ

Almost a third (31%) of the UK headquartered respondents have service centres located in one or more non-UK locations (e.g. US, India, Bulgaria, Malaysia, Cape Town, Costa Rica).



Number of HR shared service 'centres' or 'hubs' per organisation



Key findings

Service offering and client centricity

HR shared services is being pulled in two directions at once: towards more intelligent, enterprise-wide service orchestration and back towards the human realities of workforces that cannot always be served through a digital-first model alone.

- The service offering is expanding beyond traditional HR boundaries, reflecting the strength of service delivery capabilities. However, without clear strategy, this risks uncontrolled scope growth rather than increased value.
- Outsourcing continues to evolve but remains largely incremental rather than transformational. Activity continues to be concentrated in traditional areas such as payroll, with the primary drivers being cost and efficiency versus innovation.
- Workforce segmentation is exposing the limits of digital-first service design. Digital-first strategies must evolve into hybrid, multi-channel models that combine mobile access, simplification and human support to be effective for all employee groups.
- The 'unconnected' workforce should be treated as a design benchmark, not an exception, forcing more inclusive and practical service design.
- Employee experience ownership remains fragmented, even as experience expectations rise. Many organisations continue to rely on distributed or project-based approaches, risking lack of accountability and consistency.
- The next experience battleground is where to automate and where to stay human and to ensure that balance is designed intentionally.

Structure, governance and continuous improvement

Structures are still largely human-centred, governance is still anchored in operational control and continuous improvement is still more aspiration than system. AI may change the shape of delivery, but the data suggests the real constraint is not technology. It's whether HR functions have the governance, measurement discipline and planning muscle to use it well.

- HR shared service structures remain highly variable and scale does not mean 'one model'.
- The future workforce model within HR shared services is increasingly AI-augmented, not AI-replaced. Unlocking value will depend on how clearly organisations define the role of AI, human oversight and capacity redeployment.
- Governance and measurement are evolving but remain focused on activity rather than value. Operational metrics continue to dominate, with growing adoption of experience and digital measures, but commercial and value-based metrics such as ROI remain underused.
- Continuous improvement is widely recognised but not yet fully embedded at scale.
- Third party governance remains anchored in operational control with limited focus on innovation or value, meaning outsourcing is unlikely to deliver transformation without a fundamental shift towards more strategic, insight-led governance.
- Planning and prioritisation is emerging as a hidden operating model risk. Organisations show wide variation in planning maturity, from structured portfolio governance to minimal formalisation. Integrated planning and capacity management enables confident, value-driven decisions on what to start, stop or scale.

Capabilities, behaviours and talent

Future success will depend less on defining the right capabilities and more on finally embedding them, while rethinking talent pipelines, behaviours and career models for an AI-enabled future.

- The shift towards AI is forcing a move beyond operational delivery towards stronger analytics, service design and increasingly commercial, insight-led capability foundations.
- Customer-first mindset and resilience remain foundational, but the growing importance of challenger behaviour signals a shift towards more confident, value-driven engagement.
- AI, digital and specialist technical skills are among the hardest to source, with demand extending beyond technical expertise to include mindset and adaptability.
- Weak career pathways and the erosion of entry-level roles are creating a structural risk to future talent pipelines. Organisations need to rethink how they attract, develop and sustain capability.

Digital enablers

HR shared services risk mistaking rapid AI adoption for transformation. Unless they fix weak foundations, redesign their operating models, and build true human–AI capability, most will plateau at incremental gains rather than unlocking real strategic value.

- Nearly all organisations are investing in both HCM and service delivery technology, with increasing focus on AI, analytics and knowledge management. There's a clear shift towards more advanced AI capabilities, including agentic and generative AI and embedded automation, signalling ambition for more adaptive service models.
- The conversation about AI in HR shared services has shifted decisively. Two years ago, the question was whether organisations were thinking about AI. Today, the question is whether they have the capability, governance and clarity to deploy it effectively.
- AI usage remains concentrated in high-volume, rules-based 'Tier 1' activities. AI is often deployed tactically to drive efficiency, rather than as part of a broader, redesign-led transformation of service delivery. ROI is largely in line with expectations but rarely exceeding them.
- Many organisations have not yet defined the roles, skills or structures required to support AI-enabled service models. Governance frameworks for AI, particularly around ethics, oversight and accountability, remain underdeveloped or largely absent.
- Future advantage will come from strong foundations, not just advanced tools.

“From where I sit, HR Shared Services is at an inflection point, shifting from a transactional delivery model to becoming the operating engine that drives intelligence, experience, and execution for the broader People function. The real question now is less about what HR Shared Services does, and more about how effectively it enables better decisions, faster outcomes and a more intuitive employee experience at scale.”

- Head of People Operations, Global Software Company.

Strategic priorities

The future may be AI-enabled, but for most HR shared service leaders the immediate priority is still fixing and simplifying core ways of working.

The top three overall strategic priorities have remained constant for the past four years, cited by two thirds of respondents: operational efficiencies (74%), digitisation and automation (63%) and improving experience (58%).

Operational efficiency continues to be the number one priority – it's the status quo. Digitisation and automation has moved to second place for the first time since 2020, ahead of improving the employee experience. This echoes what we're seeing amongst our client base: almost all of the organisations we speak to are trying to optimise the available functionality of their core platforms and keep up with rapid innovations in the HR technology marketplace to help them drive efficiency and create capacity.

We added two new choices this year based on what we've been hearing from our clients: operating model refresh and the implementation of agentic AI, both of which (in our experience) should go hand in hand.

Respondents have placed the implementation of agentic AI towards the bottom of their priority list. It continues to come up in almost every conversation we have with HR leaders in some shape or form, therefore for it to be so low on the priority list is perhaps a surprise. As we explore in chapter 8 on 'digital enablers', HR leaders are realising that before they can get true transformational value from AI, they need to ensure strong foundations are in place across governance, data, knowledge management and team capabilities – which the data reveals as a critical gap.

Strategic priority	Rank	% of respondents who chose it	% overall responses*
Operational efficiencies (standardisation and simplification of processes)	1	74%	25%
Digitisation and automation	2	63%	21%
Improving the employee and line manager experience	3	58%	19%
Driving business value	4	32%	11%
Operating model refresh	5	24%	8%
Cost reduction	6	18%	6%
Implementation of agentic AI	7	18%	6%
Reducing operational and business risk	8	13%	4%

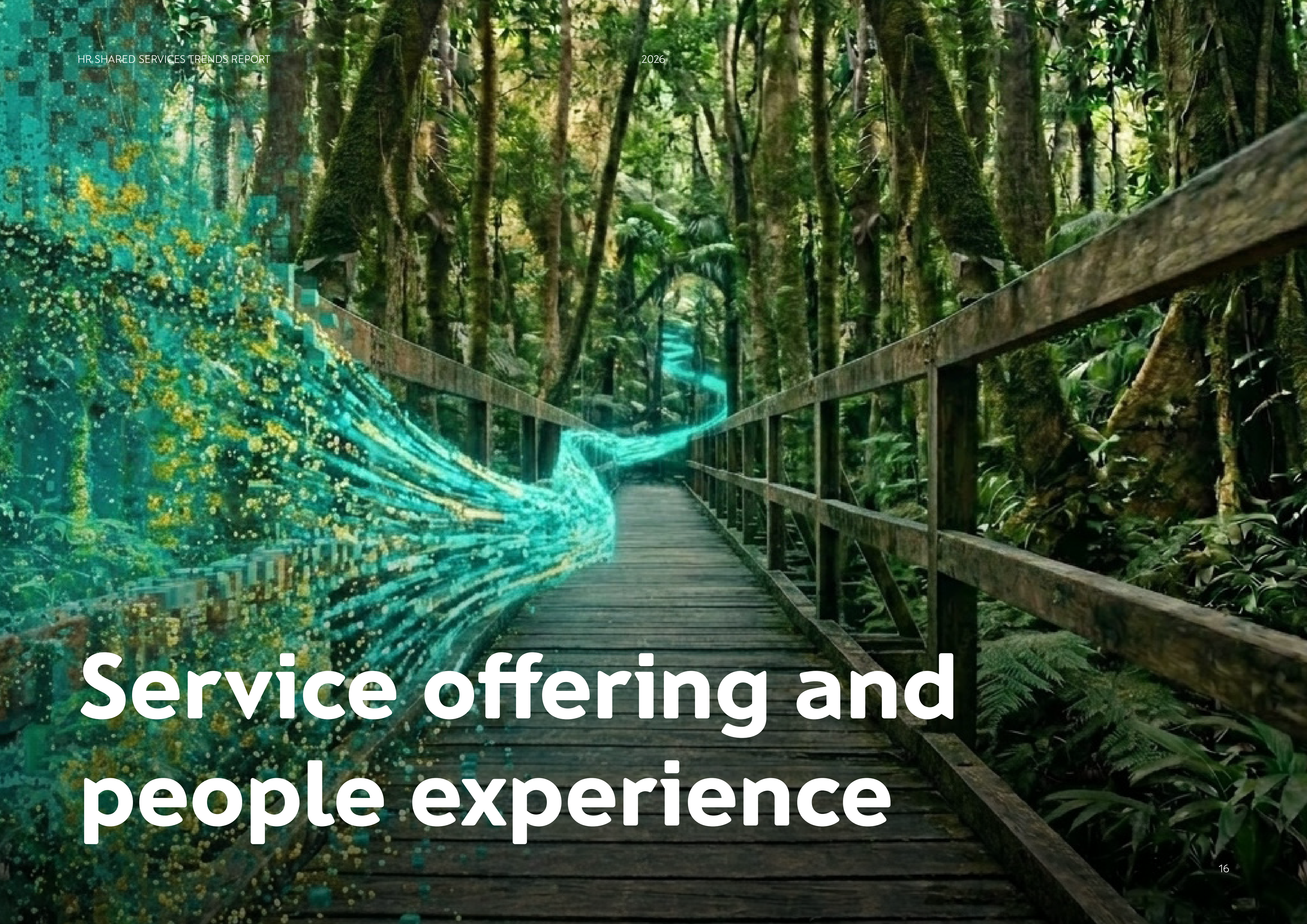
**Respondents were asked to choose their top 3 priorities from the list.*

The function is trying to move forward but is being held back by its foundations. The most pressing challenges are not about ambition; they are about the practical ability to execute.

As well as being a top priority, technology is also seen to be the biggest blocker to progress. Proving value remains a major challenge, something which we explore further in chapter 6 on 'structure, governance and continuous improvement'. In addition, investment is still difficult to unlock. This reinforces the sense that many leaders know what needs to improve, but don't yet have the funding to act at the required pace or scale. This creates a familiar tension: expectations of better service, automation and transformation are rising, while the ability to fund those changes remains constrained.

Compared to two years ago, very little has changed. We conducted this survey at a time when scrutiny on budgets was heightened due to cost pressures (exacerbated by the challenging wider geopolitical and economic environment). However, that alone does not explain the results. The simple fact is this: transformational change is difficult and it's constant. The challenge over the next 12 months (and beyond) will not be simply deciding what to do next, it'll be creating the conditions to do it successfully.

Rank	Challenge faced	Mean ranking
1	Our current technology / digital enablers aren't fit for purpose	2.3
2	Measuring the success of HR Shared Services and initiatives	3.63
3	Gaining sufficient investment to make the changes we need	3.7
4	Elevating the role of HR shared services / HR Operations / GBS within the HR function	3.84
5	Change resistance in the business	4.4
6	Bringing our team along on our change journey	4.42
7	Risk appetite of the organisation (e.g. for trying new initiatives)	5.72



Service offering and people experience

HR shared services is no longer just expanding its remit. It's being pulled in two directions at once: towards more intelligent, enterprise-wide service orchestration and back towards the human realities of workforces that cannot always be served through a digital-first model alone.

The 2026 data shows a function in transition. HR shared services teams are taking on broader, more complex and sometimes less traditionally "HR" activity, while also being asked to improve experience, increase automation, support managers, make better use of data and respond to a more segmented workforce. The direction of travel is clear. However, are service models, channels and ownership structures evolving quickly enough to keep pace?

The service offer is stretching beyond traditional HR but not always by design.

Respondents described a wide range of activity sitting within current HR shared services scope that would not traditionally be viewed as HR. Examples included organisational development and change management, employee intranet and communications, finance and commercial activity, risk, compliance and governance, and broader corporate services such as fleet, property, facilities and workplace support.

This suggests that HR shared services might be increasingly becoming a practical home for work that needs consistent process, governance, service access and employee-facing delivery, even where the content is not classically HR. This reflects the service capabilities it has built becoming useful beyond the boundaries of the function.

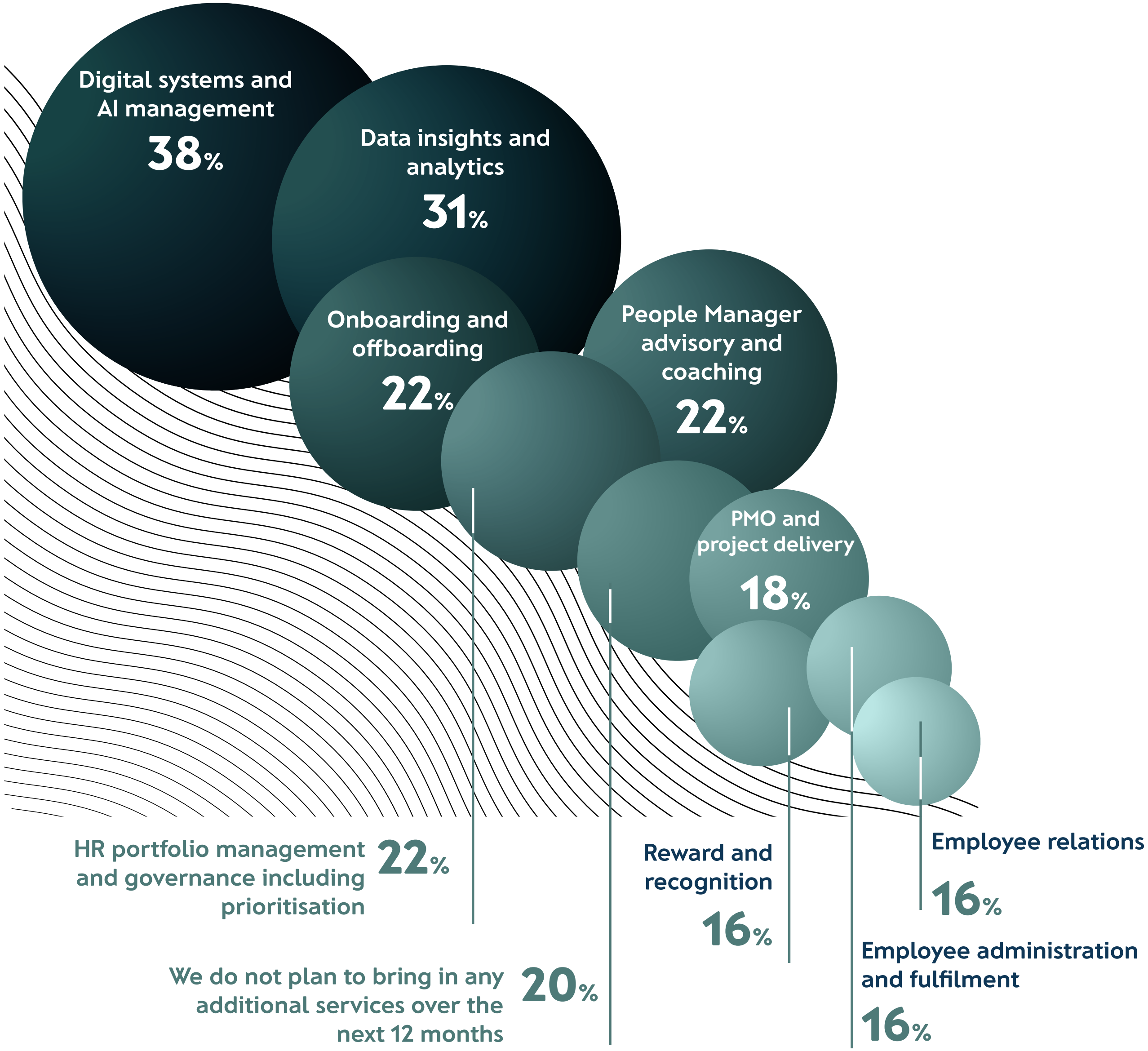
The risk, however, is scope creep without is scope creep without an explicit service strategy. As HR shared services takes on activity such as DSARs, KYC checks, SOX controls, ESG-related activity, supplier queries or workplace services (all of which were cited by respondents), the operating model needs to be clear about what is being centralised, why it sits there, and what capability is required to do it well. Otherwise, the function risks becoming broader without becoming more valuable.

New service priorities point towards intelligence-led HR but questions about the underplayed role of people manager advisory remain.

Digital systems and AI management is the top service area organisations plan to bring into the scope of HR shared services over the next 12 months, cited by 38% of respondents. It's remained in the top three for the past four years. Data insights and analytics sits second at 31%, while HR portfolio management and governance sits joint third at 22%. These are critical enablers of a more intelligence-led shared service. They move HR shared services beyond transactional fulfilment and towards insight, prioritisation, orchestration and governance.

The trend towards a more specialist HR shared services offering has been building for several years. Organisations are expanding beyond the 'brilliant basics' of payroll, employee administration and onboarding – not because those things matter less, but because automation and AI are increasingly capable of handling them. The distinctively human contribution lies in the areas where judgement, context and relationship matter: employee relations, mobility, people insights and manager advisory.

New services being brought into HR shared services scope over the next 12 months



Payroll	13%
Talent attraction	13%
Talent development (performance, learning, talent management)	13%
Experience design	13%
Mobility	11%
Wellbeing and engagement	4%
DE&I	2%
Workforce planning	2%
Organisation design	0%

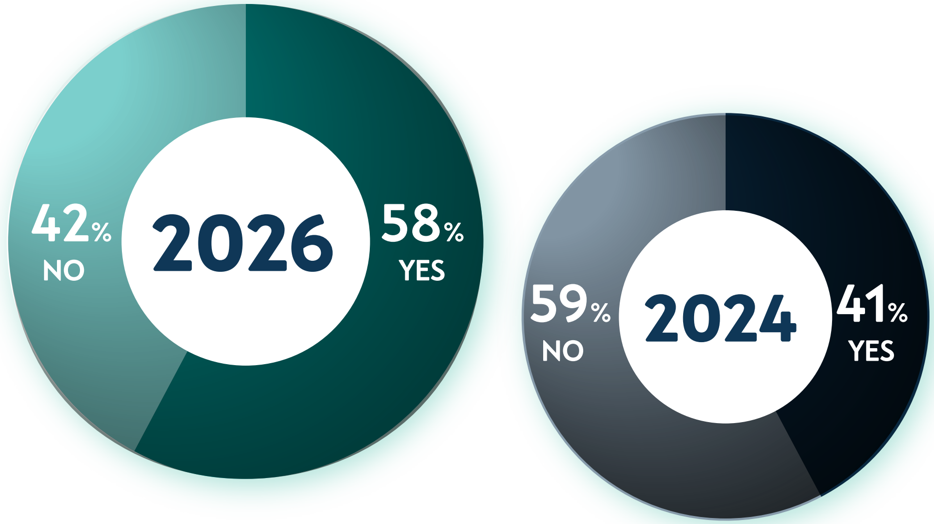
The position of people manager advisory and coaching is interesting. Given that manager experience is one of the strongest themes elsewhere in the data, the relatively modest level of planned service expansion (22% cited it) raises a question: are organisations underestimating the service role HR shared services could play in manager enablement, or are they deliberately keeping this closer to HR business partnering and centres of expertise?

More importantly, are HR shared services teams genuinely building the capability to deliver on their expanded brief? The skills data in chapter 7 suggests the gap between ambition and capability is still significant. Becoming a specialist provider is not a matter of adding new services to the catalogue. It requires a different kind of team – more analytically fluent, more commercially aware, more comfortable in the grey areas where process alone does not provide the answer. Whether organisations are investing with that end in mind is the test.

Outsourcing is increasing, but the market is not transforming.

In 2024, we said that organisations were maintaining the status quo with their outsourcing models. Two years on, a similar picture has emerged: just over half of our respondents (58%) said that they use outsourcing as part of their HR service delivery model. Dig deeper and the data suggests a more stable and selective outsourcing market rather than a wholesale move towards outsourcing.

Do you use outsourcing as part of your HR service delivery model?



Do you have plans to further outsource in the next 12-24 months?

Payroll remains by far the most outsourced service, cited by 58% of organisations. Talent attraction and mobility follow at 19% each. Most other services sit materially lower and several areas were not cited as currently outsourced at all.

The forward-looking data reinforces this picture. 71% of respondents have no plans to further outsource services over the next 12 to 24 months, while 20% do plan to outsource further and 9% expect to bring outsourced services back in-house. Where further outsourcing is planned, payroll again dominates. Four organisations said they were bringing services back in-house and payroll appears in all four of those responses

The outsourcing agenda still appears primarily tactical and operational. Cost effectiveness is the leading driver (70%), followed by efficiency (52%) and access to specialist skills (42%). Innovation is cited by only 12%. That matters. If outsourcing is mainly being used to reduce cost or access capacity, it may deliver operational benefit, but it is unlikely on its own to transform the employee experience or build a more intelligence-led HR service model.

Currently outsourced HR services

Payroll	58%
Talent attraction	19%
Mobility	19%
Other*	15%
Employee administration and fulfilment	12%
Onboarding and offboarding	8%
Talent development (performance, learning, talent management)	4%
Reward and recognition	4%
PMO and project delivery	4%
Wellbeing and engagement	0%
Employee relations	0%
DE&I	0%
People Manager advisory and coaching	0%
Organisation design	0%
Digital systems and AI management	0%
Data insights and analytics	0%
HR portfolio management and governance including prioritisation	0%
Workforce planning	0%
Experience design	0%

**Other: examples provided by respondents included DBS checks and imposter checks*

Primary drivers for use of outsourcing providers

Cost effectiveness	70%
Efficiency	52%
Access to specialised skills	42%
Scalability	36%
Innovation	12%
Move to GBS	6%
Other	6%

Frontline and 'unconnected' workforces expose the limits of digital-first service design.

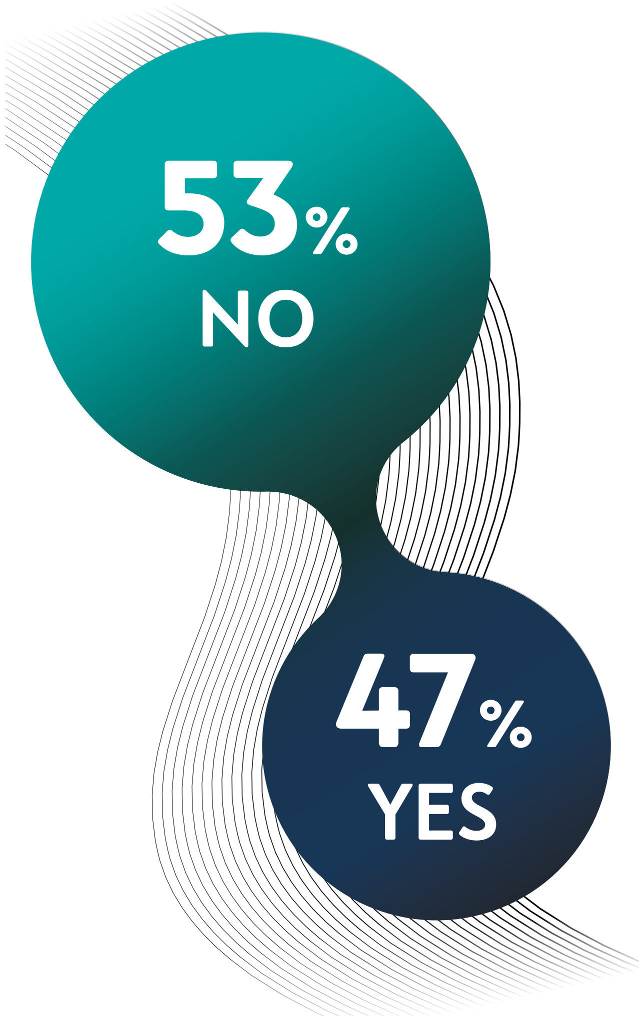
We included several new questions this year to help us better understand how organisations are supporting 'unconnected' workforce groups through their HR service delivery model design. As defined earlier, 'unconnected' employees typically have limited access to digital HR services and information compared to their more 'office based' counterparts.

Almost half of the organisations in our survey (47%) said a large proportion of their workforce was unconnected. When asked about the challenges faced with servicing this workforce group, three core areas emerged:

1. **Service accessibility:** workforce lacks physical access, time or willingness to engage digitally, particularly where they prefer phone or human support.
2. **Design gaps:** HR services are difficult to access, navigate and adopt and not aligned with employee needs.
3. **Communication and engagement breakdown:** messages are not reaching or resonating with employees, along with limited access to training and engagement initiatives.

Digital-first does not mean digital-only. For frontline, dispersed, shift-based or operational workers, the issue is often not whether a portal exists, but whether it's usable in the flow of work. The most practical responses combine flexible mobile-first access, hybrid service delivery, reinforced multi-channel communication and simplification. We've included here some of the specific examples shared by respondents.

Do you have a large proportion of your workforce that is unconnected?



Local daily huddle briefings give a chance to reinforce. In addition, more use of personal mobile to access apps alongside provided onsite devices.”

“Going back to grass roots - town halls etc., embracing connection.”

“We love a QR code on a poster! To route employees to information or tasks. We are also looking at developing our intranet onto an app.”

“Mobile enablement and kiosk placement in some parts of the organisation.”

HR shared service leaders should treat the unconnected workforce not as an exception segment, but as a design stress test. If a service works for employees with the least access, least time and highest operational constraint, it's more likely to work for everyone.

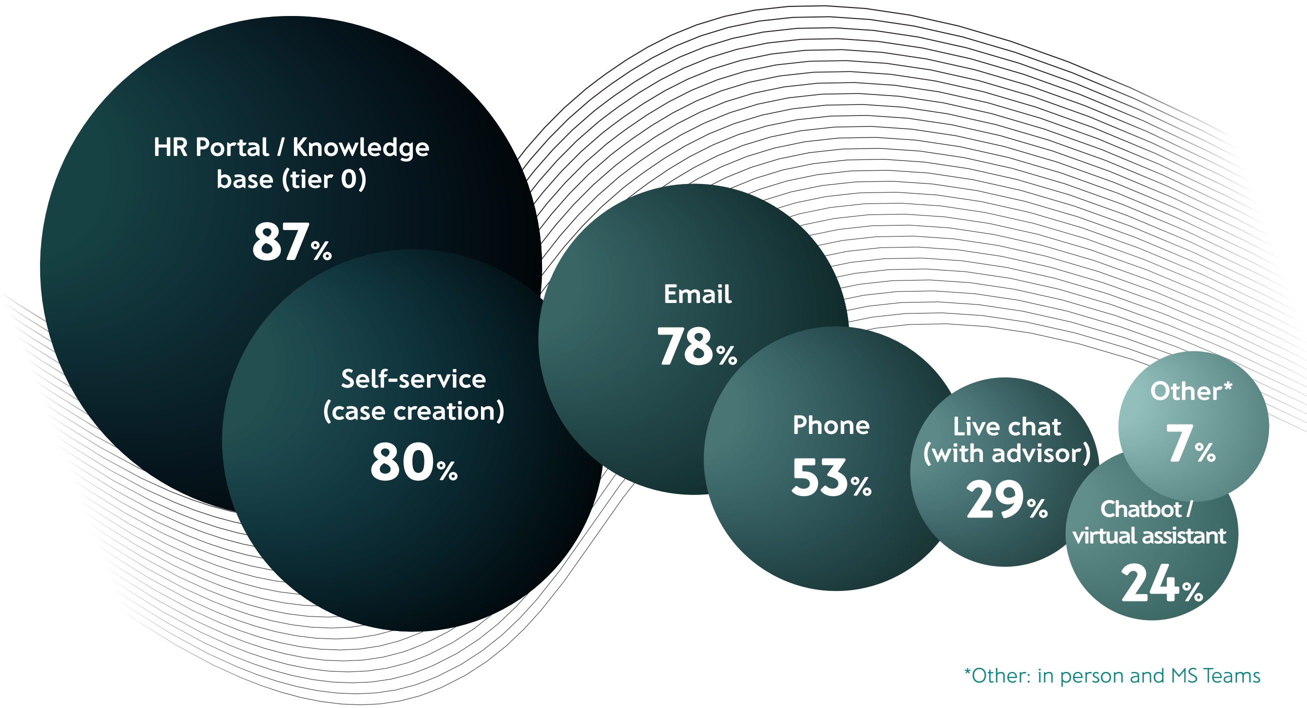
The channel mix is becoming more digital but email and phone are not going away.

HR portal / tier 0, self-service case creation and email continue to be the top three channels used when we compare the data to two years ago. Email usage continues to remain high and is used by over three-quarters of respondents (78%). A third (38%) use a form of chat – i.e. a combination of either live chat or chatbot / virtual assistant. Most respondents use between three and four channels.

Whilst providing a range of channels provides choice for employees, particularly where there is a mix of 'connected' and 'unconnected' workforces in an organisation, it's important to carefully consider the overall employee experience as new channels present themselves – whether in-platform or at an enterprise level. The hope is that service delivery channels consolidate, but there's a risk that we end up confusing employees when the intention is to simplify.

For organisations with a high proportion of unconnected workers, the channel mix is even more revealing. 100% use a knowledge base, 81% use self-service case creation and 76% use email – but phone rises to 67% and both live chat and chatbot / virtual assistant availability rise to 43%. These organisations appear to be layering digital access with more immediate or human-supported channels, reflecting the reality that accessibility and efficiency need to coexist.

The primary contact channels available for accessing HR

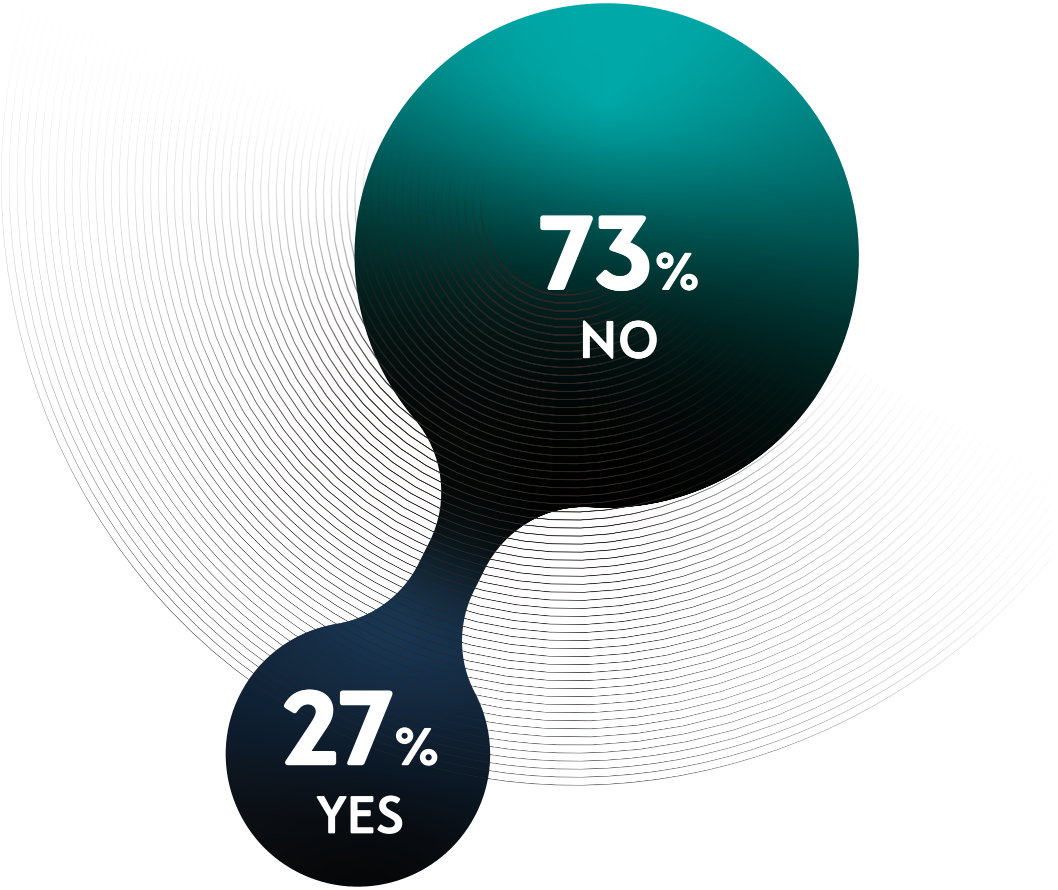


*Other: in person and MS Teams

This year, we also explored whether organisations were moving to 'one enterprise-wide front door' for self-service across any type of query an employee might have. Approximately one in four (27%) said they have this model to support cross functional employee queries and service delivery (e.g. HR, finance, IT, facilities). However, the majority (73%) do not.

At a time when employees increasingly expect simple, joined-up support across corporate services, this is a significant experience gap. HR shared services may have matured its own channels, but the employee does not experience HR in isolation. They experience work as a series of needs, moments and blockers that rarely respect functional boundaries. This leads us on to the questions of who ultimately 'owns' experience and how are HR teams designing for it.

Organisations with an enterprise-wide 'front door' to self-service



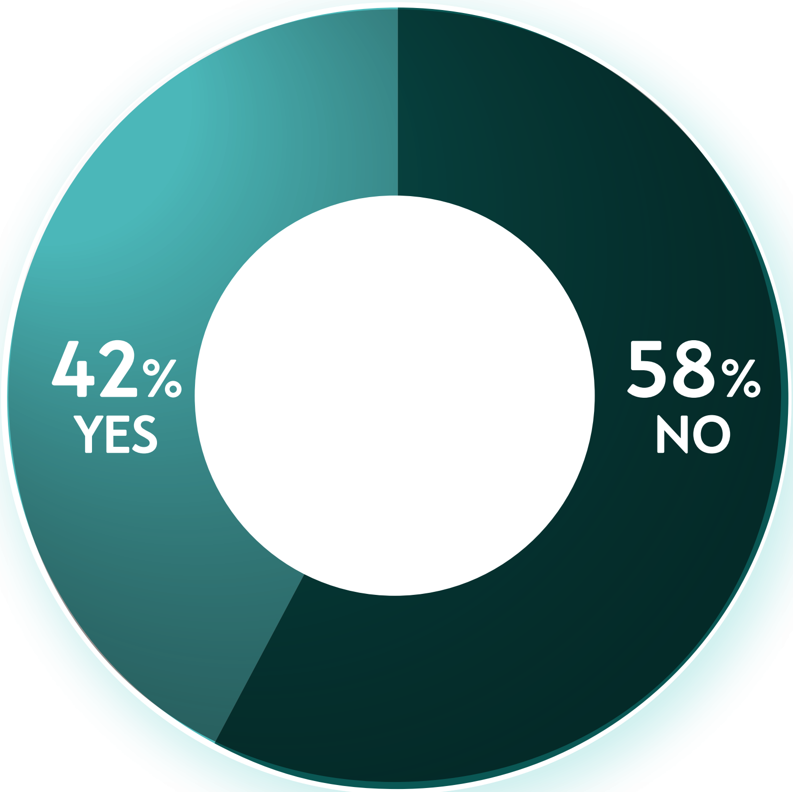
Employee experience ownership remains fragmented, even as experience expectations rise.

42% of organisations have a dedicated employee experience role or team within HR, unchanged from 2024. Among those with a dedicated EX role or team, 47% sit within the reporting line responsibility of HR shared services, also showing little movement versus 2024.

This stability is interesting because the expectations placed on HR shared services are changing quickly. Service delivery is becoming more digital, AI-enabled and data-driven; the workforce is more segmented; managers need more support; and organisations are trying to balance automation with human connection. Yet dedicated experience ownership has not expanded.

That does not necessarily mean experience isn't being managed. But it does suggest that many organisations may still be relying on distributed ownership, project-by-project improvement or technology-led design rather than a clear experience discipline embedded into the service model. **The danger is that employee experience becomes everyone's aspiration but no one's accountable outcome.**

Organisations with a dedicated Employee Experience role / team within HR



Client perspective

One Financial Services organisation has taken a significant step to becoming more experience and insights led by organising around multi-functional squads aligned to key employee journeys.
Journey leads oversee the service and advisors manage day-to-day delivery. This structure brings operational delivery, continuous improvement and development capability closer together, enabling faster action on backlog priorities. It also supports the evolution to a more intelligent tier 0 model, combining self-service, AI-enabled automation and a colleague concierge layer to reduce demand and improve resolution at source.

The next experience battleground is where to automate and where to stay human.

As well as understanding the ongoing focus of experience design across different persona groups (employees and managers at a very basic level), we wanted to get a perspective on the topic of where human-in-the-loop interaction remained critical in the context of an ever increasingly automated and AI enabled world of work.

The top two **employee journeys** over the next 12 months centre on joining the organisation: 'attract and recruit me' (56%) and 'welcome me' (53%).

For **manager journeys**, 'manage and support my team' is the clear priority (47%), followed by maximising team's potential (33%).

Respondents notably most strongly prioritise human interaction in 'help me perform and grow' (73%) and 'manage and support my team' (60%). The data suggests a reasonable instinct: human connection matters most where outcomes are personal, developmental, relational or judgement-based. At the same time, respondents see the need for increased automation in the areas of 'enable me' and 'manage and support my team' (amongst others). The manager experience is both a human and automation opportunity, requiring better advice, coaching and judgement but also easier access to information, workflow support and repeatable guidance.

There are also some tensions in the data. Recognition and reward journeys show relatively low prioritisation of human interaction, despite these often being emotive moments when poor handling can damage trust. Similarly, only 9% see a need to increase automation in 'build my team', even though digital tools and AI can increasingly support reporting, insights and scenario planning. This may point to untapped opportunity in workforce planning and manager decision making.

You might think that all organisations would be focusing on at least one experience journey area. Surprisingly, 13% have no plans to focus on any specific areas.

In a world where AI is reshaping interactions and workforces are becoming more segmented, standing still on experience design is unlikely to be neutral. It's more likely to mean falling behind.

Experience journeys being prioritised over the next 12 months and the need to prioritise human interaction vs increase automation

		Focus area	Prioritise human interaction	Increase automation
Employee journeys	Attract and recruit me	56%	42%	60%
	Welcome me	53%	56%	51%
	Enable me	42%	36%	69%
	Help me perform and grow	44%	73%	49%
	Recognise and reward me	36%	20%	33%
	Wish me well	38%	20%	36%

		Focus area	Prioritise human interaction	Increase automation
Manager journeys	Build my team	13%	16%	9%
	Manage and support my team	47%	60%	42%
	Maximise my team's potential	33%	49%	22%
	Recognise my team	22%	24%	22%
	Organise my team	18%	16%	31%
	No plans to focus on any specific areas	13%		

Structure governance and continuous improvement

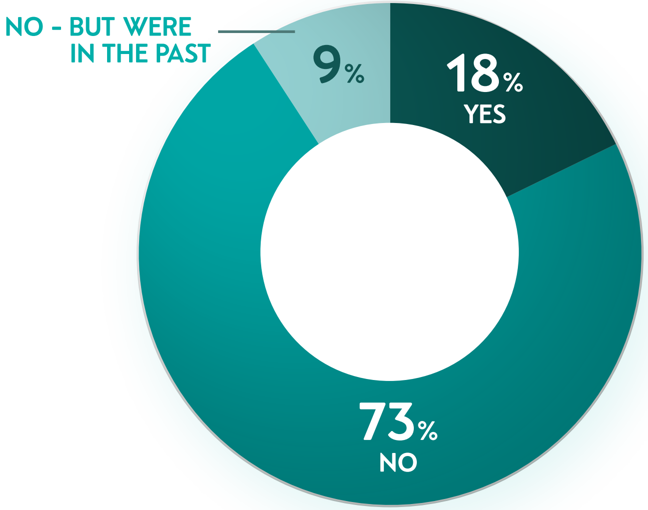
HR shared services is approaching an inflection point. Structures are still largely human-centred, governance is still anchored in operational control and continuous improvement is still more aspiration than system. AI may change the shape of delivery, but the challenge is whether HR functions have the governance, measurement discipline and planning muscle to use it well.

HR shared service structures remain highly variable and scale does not mean 'one model'.

18% of respondents said HR shared services is part of GBS. Among those that are part of GBS, the main strategic drivers are cost efficiency and service optimisation, both cited by 75%. Leveraging cross-functional technology is cited by 13%.

It suggests that the GBS case is still being made primarily through efficiency and service optimisation, rather than through a more expansive argument around cross-functional technology, enterprise experience or shared intelligence. That may reflect the small sample size, but it also raises a broader challenge. If HR shared services moves into GBS only as a cost play, it risks underusing the very capabilities that should make GBS strategically powerful: common platforms, integrated data, end-to-end governance and joined-up enterprise service design.

Respondents who are part of a Global Business Services (GBS) organisation



Main strategic driver for moving to GBS

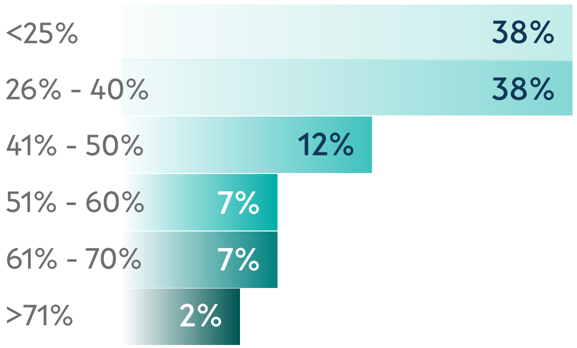
Cost efficiency	75%
Service optimisation	75%
Improved governance	38%
Simplification	25%
Leverage cross-functional technology (e.g. service delivery platforms)	13%
Business	13%
Other*	13%
Move to managed service provider	0%

*'Other' = so 'HR shared services is fully GBS aligned'

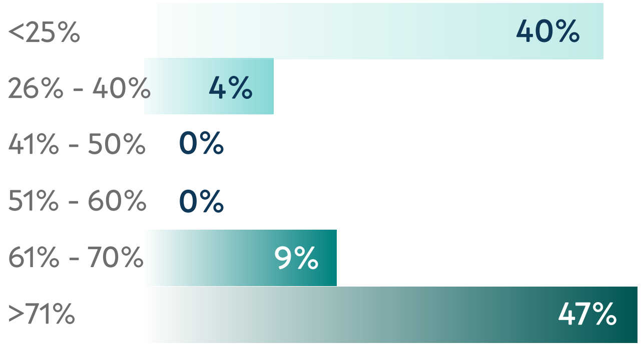
The split between co-located hubs and virtual networks is polarised. 40% of respondents said less than 25% of HR shared services FTE are co-located within hubs, while 47% said more than 71% are co-located. The middle ground is relatively thin. This points to two very different operating model philosophies: one anchored around physical or hub-based concentration and one operating as a much more distributed virtual network. There were no noticeable sector differences when we dug deeper into the responses.

Respondent demographics:

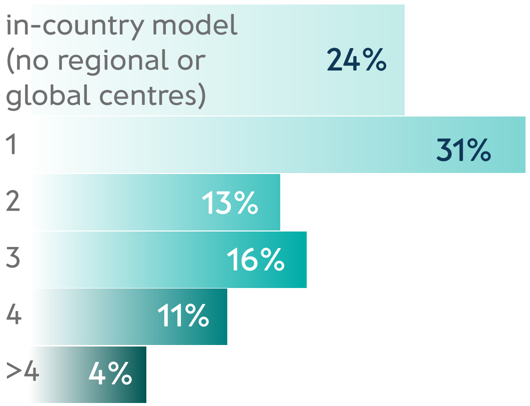
Approximate proportion of overall HR FTE which are within the HR shared services organisation



Proportion of the HR Shared Services FTE that are co-located within hubs versus working as a virtual network



Number of HR shared service 'centres' or 'hubs' per organisation



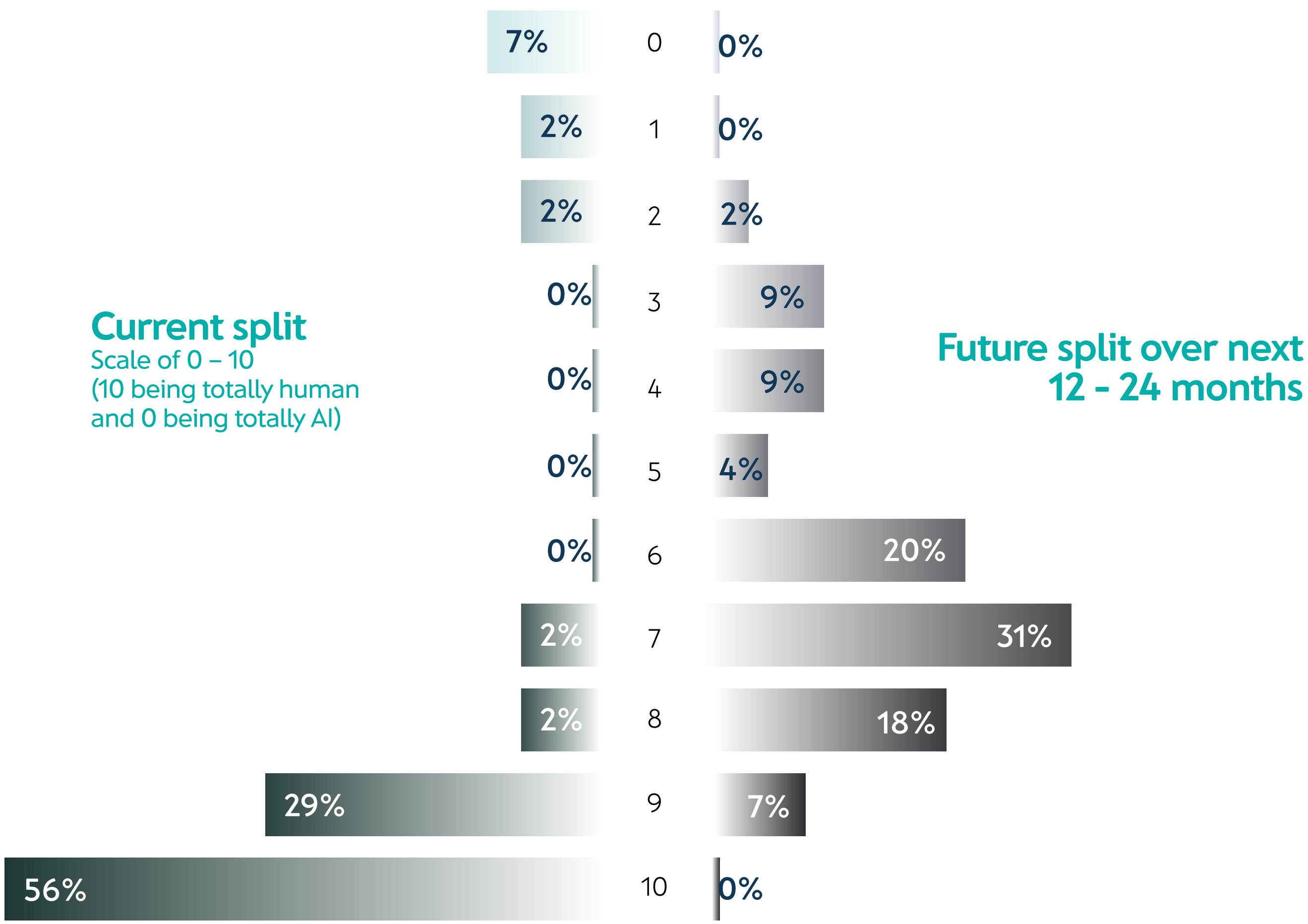
The future HR shared services workforce is AI-augmented, not AI-replaced.

AI is now becoming fully embedded into our daily personal and work lives. 2026's survey includes two new questions which explore the balance of AI as a team member in the overall HR shared services workforce mix.

Current delivery remains overwhelmingly human-centred: 85% of respondents rated the current model as either fully human or 90% human. Given the potential of AI, it's not surprising that no respondents expect the model to remain fully human over the next 12 to 24 months. However, rather than wholescale replacement, HR shared services leaders are signalling a meaningful and thoughtful move towards AI augmentation. Approximately 50% predict the HR shared services workforce mix to shift to 60%-70% human / 30%-40% AI.

This shift brings the governance challenge into sharper focus. If AI is expected to become a material part of the HR shared services workforce, leaders need to think beyond tools and pilots. They need to define what work should be automated, what should remain human, what requires human oversight, how quality will be measured, and how capacity released through AI will be redirected. Without that discipline, AI risks becoming another layer of activity rather than a lever for operating model and service transformation.

The split between human and AI workforce in HR shared services



Measurement is improving, but the basics are still not universal. Real impact will be gained by measuring value over activity.

Operational measures remain the dominant way organisations assess HR shared services effectiveness, (cited by 80% of respondents in 2026) and have been since we started our research in 2020. Turnaround times, first contact resolution and time to resolve remain the foundation of HR shared services dashboards.

There's been a steady increase in the use of some of the experience measures, such as employee net promoter score (44%) and usage of self-service ratio (one in three respondents use it). A new option this year was the percentage of queries resolved through AI or self-service: 20% of respondents said they use this measure. This matters because these measures start to move the conversation beyond whether work is being processed to whether the service is effective, accessible and increasingly digitally enabled.

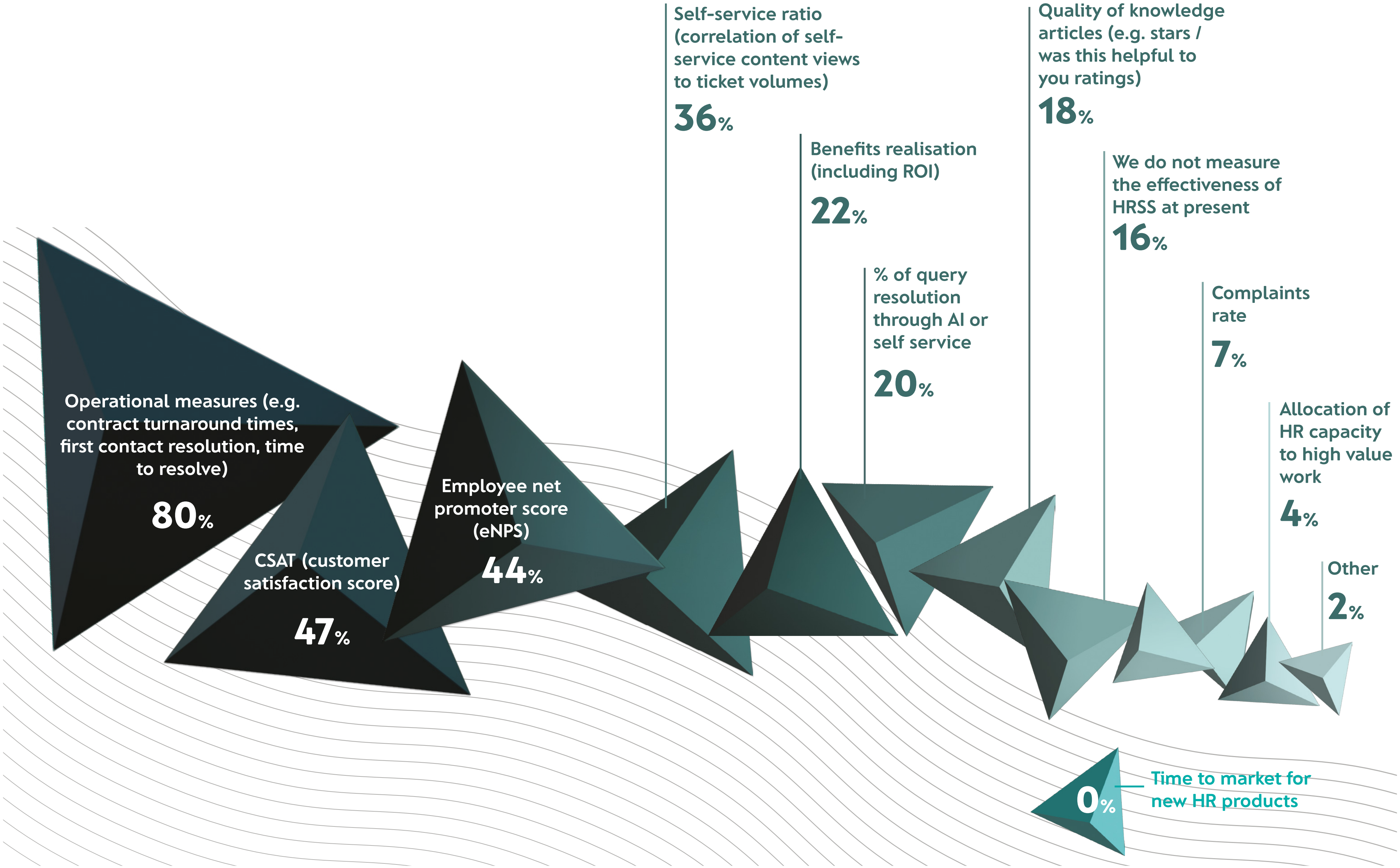
But the commercial and value lens remains underdeveloped. Benefits realisation, including ROI, is measured by only 22%. What's even more surprising is that only one of the seven of the organisations that chose 'cost efficiency' as one of their strategic objectives over the next 12 months said they measure the ROI of initiatives.

We also added a measure around allocation of HR capacity to high value work. It's measured by just 4% overall - i.e. two organisations. Effectively managing resources in this way should allow HR shared service teams to focus on priorities that drive greater ROI and continuous improvement. The measures around planning, prioritisation and ROI go hand in hand. If HR shared service leaders want to make a credible case for investment, AI adoption, service expansion or operating model change, they need to be able to answer the value question with evidence.

A stubborn baseline issue remains: 16% of respondents said they do not measure the effectiveness of HR shared services at present. This is down from 24% in 2024 and 30% in 2022, so progress is visible. But in a function that's being asked to improve experience, absorb technology change, manage cost pressure and become more intelligence-led, we would argue that the number should be zero.

When it comes to the use of service level agreements (SLAs) and targets, between 10% and 17% of respondents said they'd not defined SLAs for standard or urgent queries. If HR shared services is serious about operational effectiveness, this is a basic control point. SLAs do not tell the whole story of experience, but without them organisations lack one of the minimum baselines needed to manage expectations, prioritise work and identify service failure.

Measures of service effectiveness



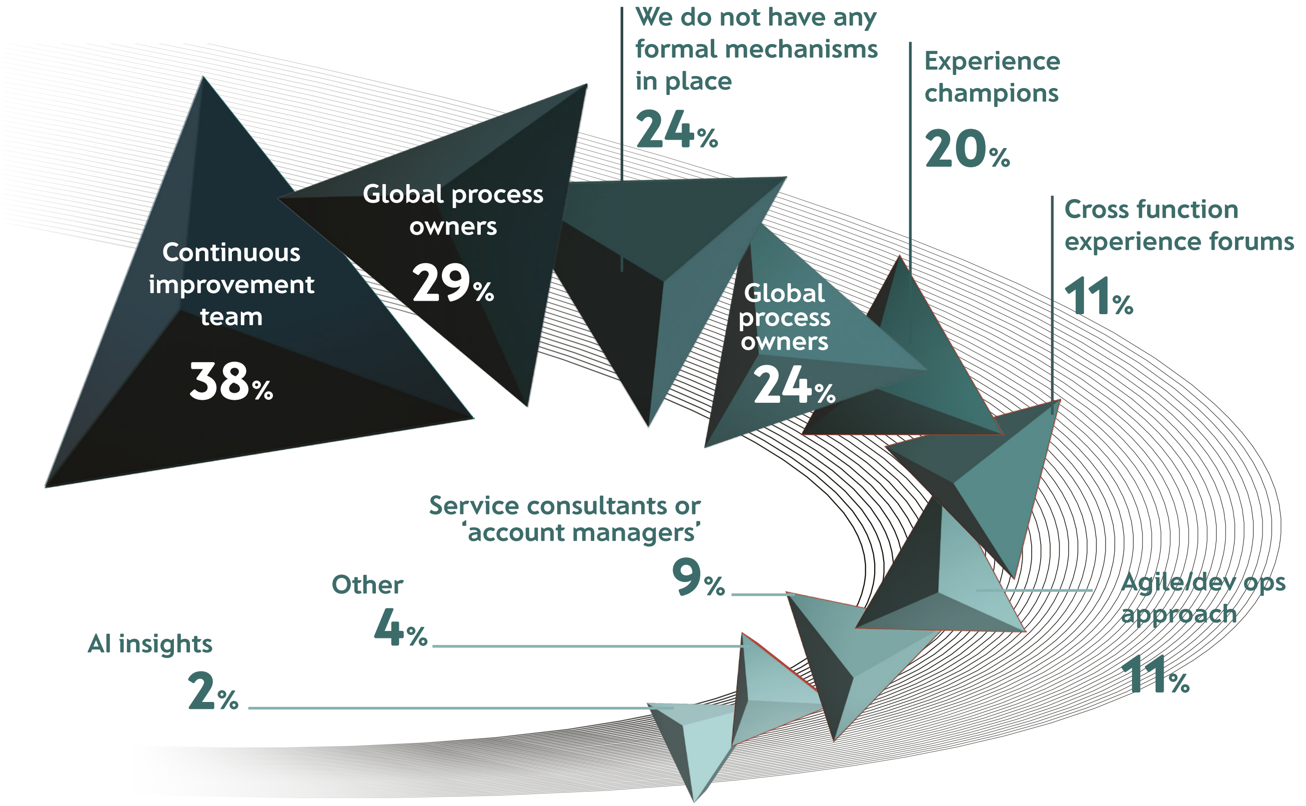
HR shared service leaders know what matters. Now they must turn continuous improvement and insight into embedded discipline at scale.

As in previous years, continuous improvement teams remain the most common mechanism for supporting ongoing process and service improvement, but only 38% of organisations have one in place. 24% of respondents said they don't have any formal continuous improvement mechanisms in place. This has improved from 38% in 2024 and 46% in 2022, but it's still high. You might expect these respondents to be from smaller organisations where there isn't always the scale or FTE to allow for a dedicated continuous improvement team or service consultants, for example. That isn't the case, at least within our data set this year: only two of these 12 organisations were below 1,000 employees.

The data suggests that HR shared service organisations (and potentially the wider HR function) are in the early stages of maturing their experience-related insights mechanisms. As we explored in the previous chapter on 'service offering and people experience (chapter 5), only 42% of respondents have a dedicated employee experience team or role within HR. In addition, one in five respondents said they use experience champions or cross functional experience forums, for example, and only 29% use employee listening as a continuous improvement input. Added to this, AI insights are almost absent. That's difficult to reconcile with the ambition many HR shared service leaders that we speak to have for their functions to become more intelligence-led.

There's a direct link here with the capability of HR shared services teams. Continuous improvement remains the number one skills priority for HR shared service leaders. Moreover, the top three skills priorities have remained constant for the past four years and all of them are linked to experience, insights and improvement. The issue is therefore not that leaders don't know what matters. The issue is perhaps turning priority into operating discipline and making continuous improvement a core part of the function's DNA.

Continuous improvement mechanisms used



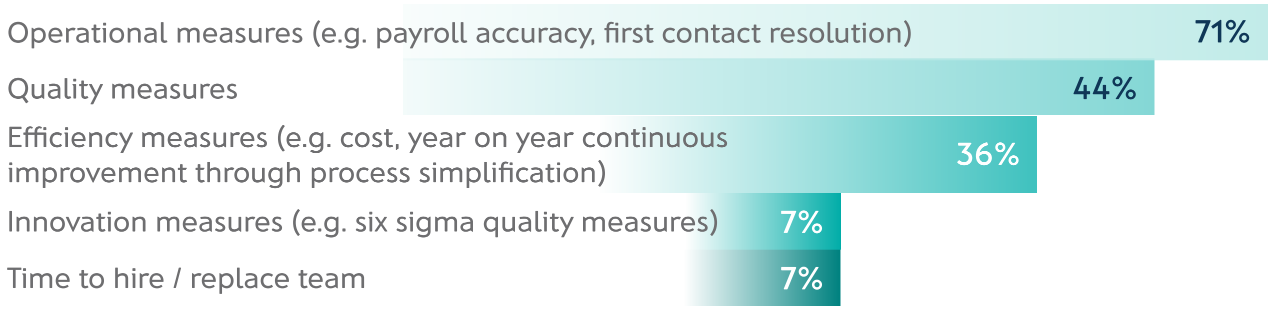
Third-party governance is still focused on performance control, not future value.

Organisations primarily hold third-party providers to account through operational measures, quality measures and efficiency measures versus value or outcome measures. Maturity in this space is still relatively low – only 7% of respondents said they use innovation measures, for example.

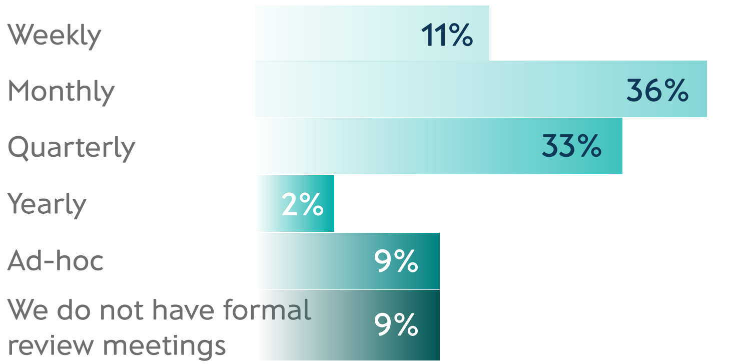
This reinforces a broader theme: governance exists, but it's still largely focused on operational control. That's necessary, especially in areas such as payroll or high-volume service delivery, but it's not sufficient if organisations expect providers to contribute to innovation, simplification, automation, insight or experience improvement - or to unlock meaningful value beyond the contract.

20% of respondents said they met on a yearly, ad-hoc or 'no formal review' basis. If outsourced services are expected to remain stable, improve continuously and respond to a rapidly changing technology landscape, governance cadence needs to match the level of dependency and risk.

How third-party providers are held to account for service delivery



Frequency of third-party provider service effectiveness and governance reviews



Planning and prioritisation is emerging as the hidden operating model risk.

Planning and prioritisation may be the next major maturity frontier. Without integrated resource planning, HR shared service leaders cannot confidently make trade-offs, protect capacity or deliver strategic change at pace. Portfolio management is a core component of the 'insights and intelligence engine' in our 'Rewired HR' operating model and is a common capability gap amongst our clients. We were curious to understand what organisations were doing in this space and how mature the 'planning' muscle is, so we included a new free text question on planning, prioritisation and resource planning in this year's survey.

The results reveal a wide maturity spectrum. There are three broad clusters:

1. Advanced or structured organisations – formal governance, roadmaps, strategy alignment and some integration with capacity or resource planning;
2. Developing organisations – planning mechanisms that are inconsistent, siloed or not linked to resource planning; and
3. Lower maturity organisations – little or no formal planning or prioritisation framework.

The strongest theme is alignment to strategy and business priorities. Respondents referenced HR strategy, people strategy, business strategy, growth objectives, functional priorities, annual and quarterly planning cycles, people plans and change plus BAU plans. This suggests strategy alignment is conceptually well established, even where execution maturity varies.

Roadmaps, planning cycles and portfolio planning are also common. Quarterly roadmaps, QBRs, release planning and budget-aligned forward plans were widely referenced. Governance and leadership forums also feature strongly, including HR leadership team prioritisation forums, portfolio governance, change or release governance boards and programme sponsorship structures.

The gap is resource planning. Many organisations explicitly referenced no formal resource planning, no link to workforce planning or reliance on simple capacity assumptions. Where resource planning exists, it often appears to be based on volume versus capacity calculations, productivity assumptions or high-level allocation rather than dynamic resource modelling.

This is a critical issue because prioritisation without resource planning can create a false sense of control. Organisations may have governance forums, roadmaps and leadership reviews, but if those mechanisms are not connected to real capacity, skills and delivery trade-offs, they risk becoming sequencing forums rather than decision-making forums. In practical terms, this is where overcommitment begins. Without clear prioritisation and the discipline to stop or say no, organisations overload their teams – resulting in slow delivery and under-realised benefits and growing risk of burnout.

Capabilities, Behaviours and Talent

HR shared services is facing a capability paradox: the priorities are well established, yet progress remains slow and the cost of inaction is now rising sharply in an AI-enabled world.

The shift towards AI is forcing a move beyond operational delivery towards stronger analytics service design and increasingly commercial, insight-led capability foundations.

The same three capability priorities have appeared at the top of the list for six years running: continuous improvement (73%), data interpretation and analytics (64%), and service and experience design (62%). While that consistency reinforces their enduring importance, it also suggests that many organisations are still on the journey to fully embedding these capabilities at scale. What's changed in 2026 is the context around them.

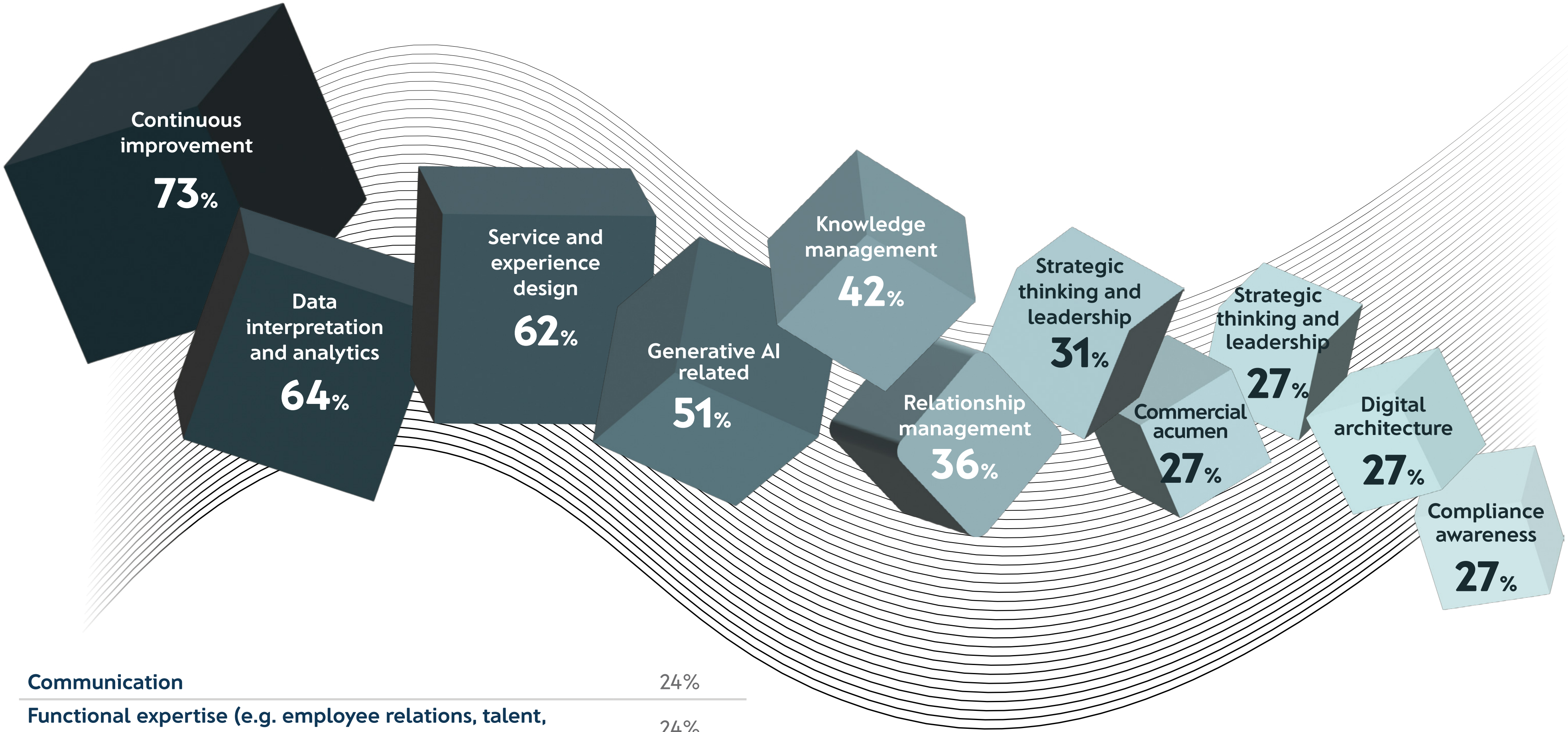
51% of respondents identified generative AI as a focus area, ranking it fourth on the overall priority list. This is all very well, but the irony is that organisations cannot fully unlock the value of AI without the foundational capabilities they've been trying to strengthen for years:

- Strong analytics capability is needed to turn AI-enabled data into meaningful insight.
- Service and experience design capability is critical to redesign employee and manager journeys in a way that genuinely improves outcomes.
- Continuous improvement disciplines are essential to govern, optimise, and scale automation effectively.

In many ways, the rise of AI is not creating entirely new capability challenges, it is amplifying and accelerating gaps that already existed.

Commercial acumen has made a notable jump from 9% in 2024 to 27% in 2026. Knowledge management also enters the priority list at 42%, reflecting a growing awareness that AI is only as good as the information it draws on and that curation is a human capability, not a technical one. Both shifts point in the same direction: HR shared services is being asked to operate at a higher level of strategic and commercial fluency.

Priority skills over the next 12 months:



Communication	24%
Functional expertise (e.g. employee relations, talent, reward and recognition)	24%
Consulting	16%
Agile/dev ops methodologies	16%
Portfolio and prioritisation	13%
Coaching	11%
Language capabilities	2%
Other	2%

Customer-first mindset and resilience remain foundational, but the growing importance of challenger behaviour signals a shift towards more confident, value-driven engagement.

Customer-first mindset remains the dominant behavioural priority for HR shared service teams (78%), with resilience continuing to rank highly alongside it (60%). What stands out in this year's data, however, is the continued rise of challenger behaviours.

In 2022, challenger behaviours sat towards the bottom of the priority list. By 2026, they've risen to third place, with more than half of organisations (53%) now identifying the ability to challenge constructively and push back appropriately as a key behavioural capability. This is not a minor reshuffling. It signals a fundamental shift in what HR shared services leaders expect their teams to be.

As AI and automation take on more transactional activity, the value of HR shared services increasingly comes from judgement, influence and decision-making. Teams that focus solely on processing requests efficiently are likely to become less differentiated within future operating models. The ability to ask difficult questions, challenge ineffective processes and advocate for better outcomes is becoming increasingly important.

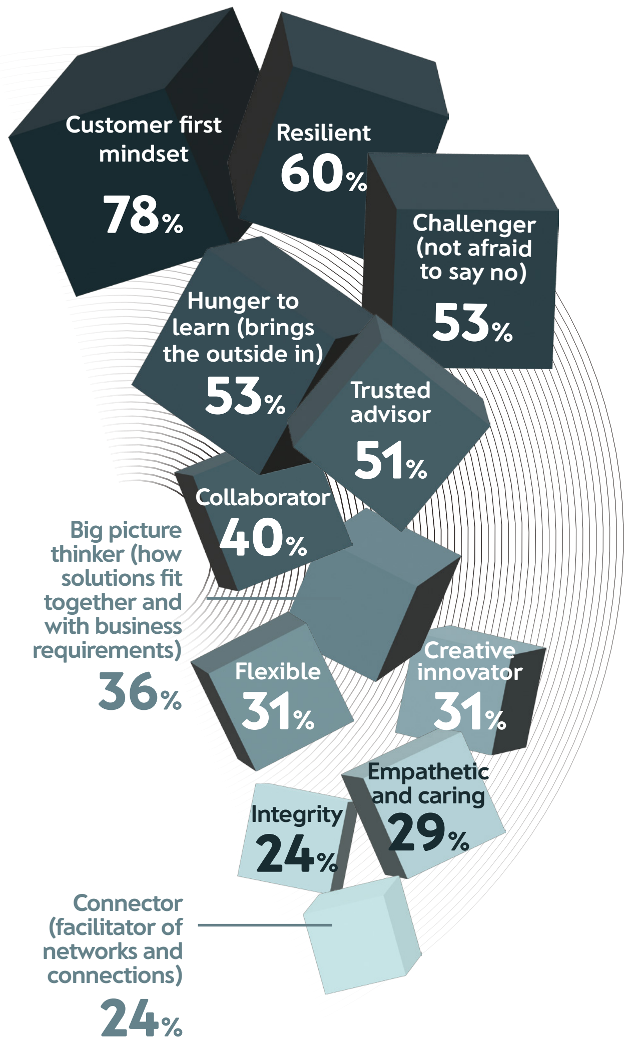
There's also a notable increase in the importance placed on curiosity and external learning. 'Hunger to learn' has risen sharply from 18% in 2024 to 53% in 2026. This suggests organisations are placing greater emphasis on staying externally connected and continuously building capability as the pace of change accelerates.

AI, digital and specialist technical skills are among the hardest to source, with demand extending beyond technical expertise to include mindset and adaptability.

We added a new question this year to understand the 'scarce skills' hotspots, with respondents able to provide free text examples. AI and digital capability were most frequently mentioned as the hardest to source skills. HR shared service leaders referenced not only technical AI expertise, but also the broader mindset, adaptability, and digital fluency needed to work effectively alongside emerging technologies. Specialist HRIS capability and payroll expertise were also cited as challenges.

This creates a talent strategy issue. If organisations rely solely on external hiring for these skills, they will be competing for scarce capability in a market where demand is rising. Building internal capability becomes critical, but that requires clearer pathways, broader development models and more intentional role design.

Priority behaviours over the next 12 months:



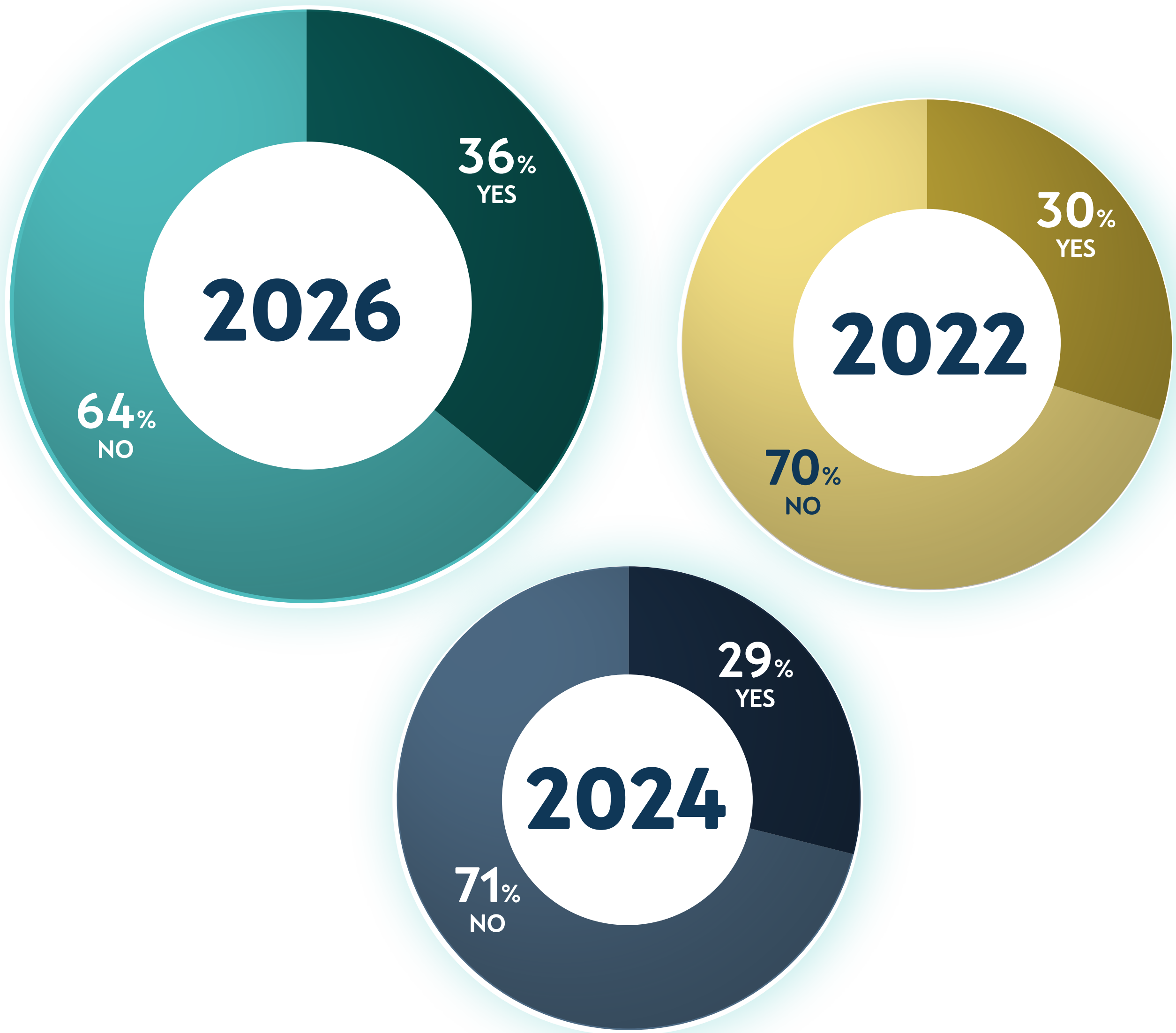
64% of organisations still have no defined career pathways for their HR shared services teams. The figure has barely moved since 2020. AI is about to make this urgency impossible to defer.

This is a topic which comes up in almost every HR shared services director network conversation we hold. The desire to do more in those conversations is clear. Yet despite years of discussion around capability and talent, 64% of organisations still report having no defined career pathways for HR shared services teams. Whilst the data shows progress is being made, it's painfully slow and it paints a stark reality.

When we asked how career pathways are expected to evolve over the next 12 months, the dominant theme was building or redesigning, which tells its own story about where most organisations are in their maturity.

AI, digital and data capability is reshaping future career models. As automation and AI continue to absorb more transactional activity, many traditional entry-level roles within HR shared services are starting to evolve or disappear altogether. Historically, these roles provided an important foundation for building future capability. Without clear alternative routes into the function, organisations risk narrowing their long-term talent pipeline and not only the sustainability of HR shared services, but potentially its existence entirely.

Organisations that have defined career pathways for their HR shared services teams



Weak career pathways and the erosion of entry-level roles are creating a structural risk to future talent pipelines. Organisations need to rethink how they attract, develop and sustain capability.

The top development and retention initiatives remain broadly consistent with previous years.

Skills development programmes (64%), flexible working (53%), spot recognition (53%) and subsidised professional development (51%) continue to form the core employee offer across many organisations. Increasingly, however, these initiatives are becoming baseline expectations of employees rather than sources of competitive talent differentiation.

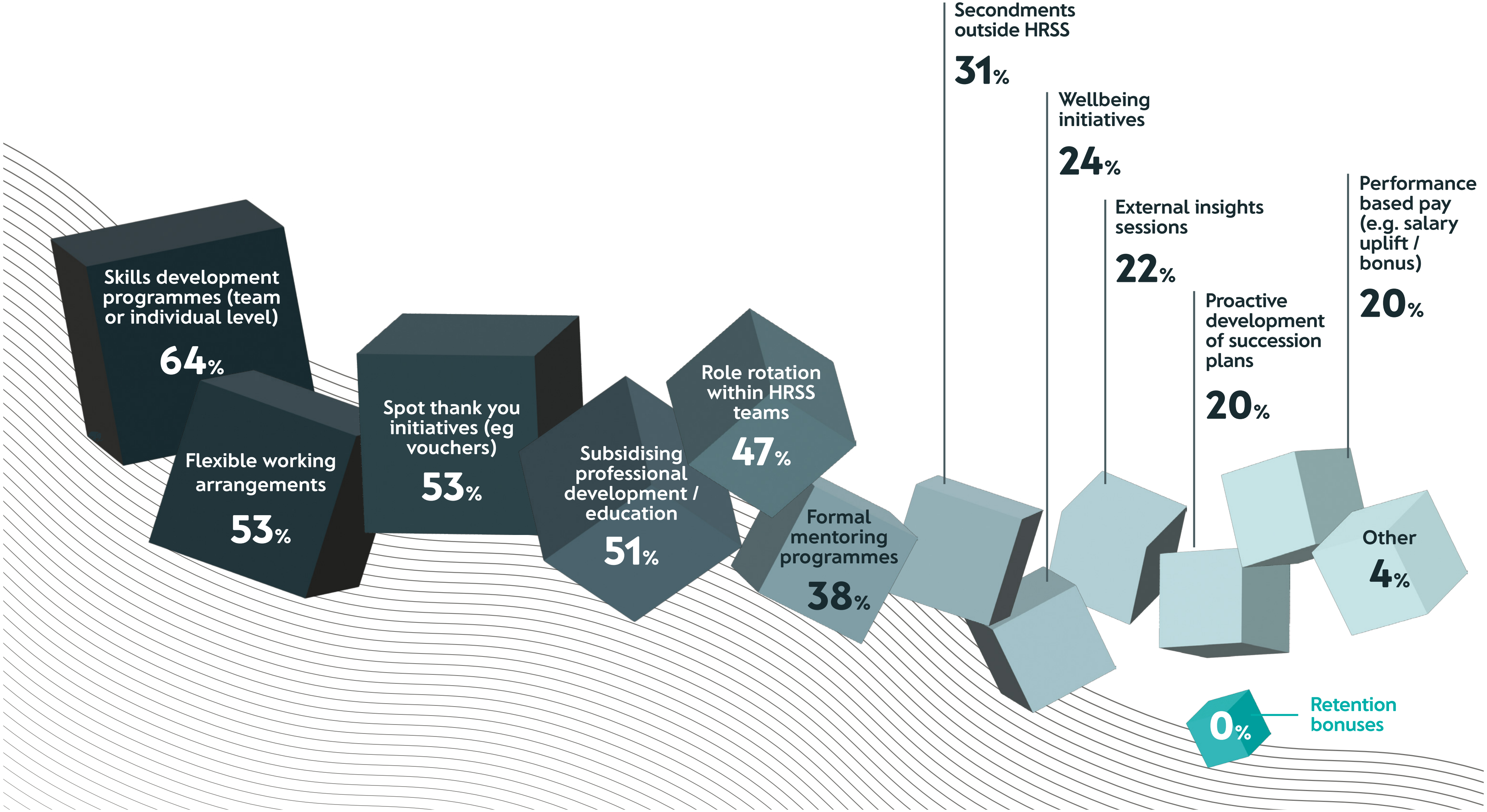
What is more notable is the movement beneath those headline initiatives.

Role rotation within HR shared service teams has increased significantly, alongside greater investment in mentoring and secondments outside the function. These initiatives do more than support retention alone. They broaden perspective, strengthen networks and help create a more visible sense of long-term career opportunity and capability growth.

At the same time, one trend stands out for different reasons. The proportion of organisations proactively developing succession plans has fallen sharply from 44% in 2024 to just 20% in 2026. At a point where required skills are evolving rapidly and organisations are navigating large-scale transformation, succession planning is becoming increasingly important.

The shift away from purely financial retention levers is understandable, particularly in cost challenged environments. However, development investment without clear long-term progression, combined with weaker succession planning, risks creating capability gaps that become significantly harder to address over time – and further exacerbating the problem which the data shows already exists.

How organisations are investing in the development and retention of their HR shared services teams



Digital enablers

HR shared services risk mistaking rapid AI adoption for transformation. Unless they fix weak foundations, redesign their operating models and build true human–AI capability, most will plateau at incremental gains rather than unlocking real strategic value.

HR service delivery is still anchored in core technologies but evolving towards intelligence-led models.

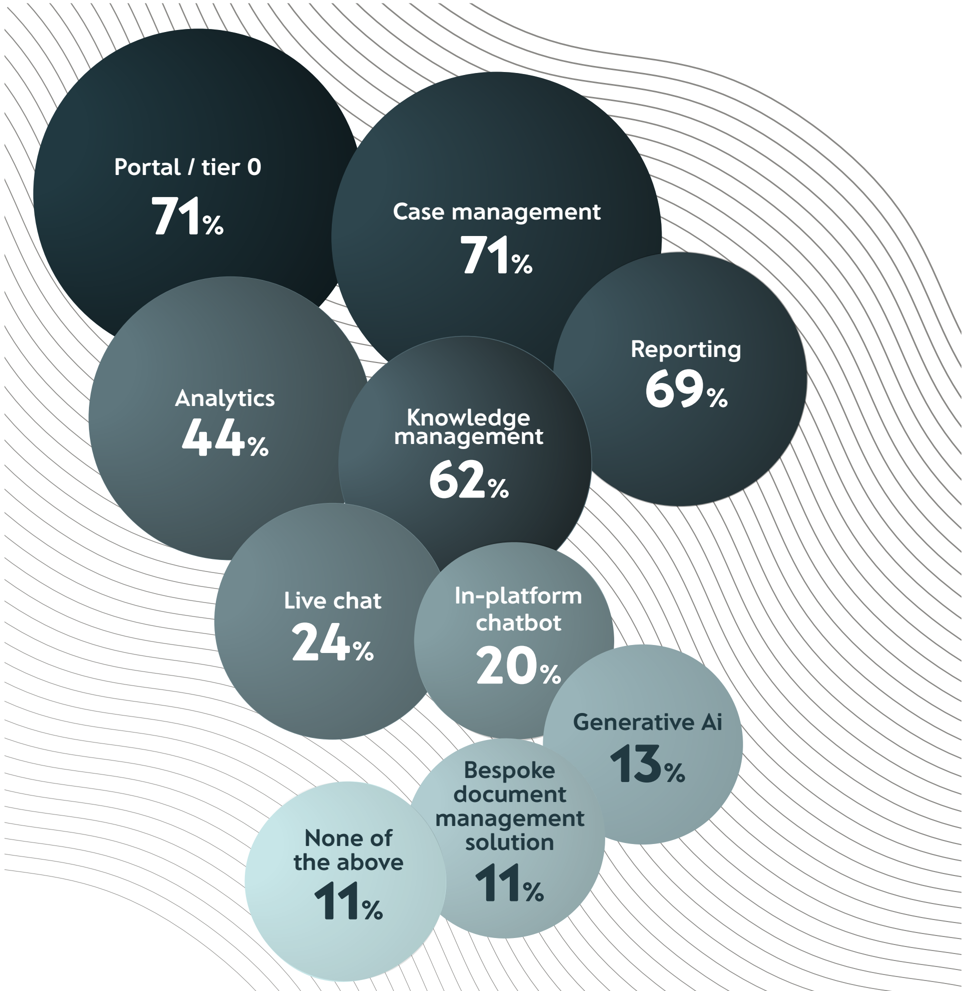
The evolution of digital enablers in HR shared services reflects a clear transition from foundational technology deployment towards a more intelligence-led, AI-enabled operating model. Core service technologies (portals, case management, reporting, knowledge management and analytic) remain firmly embedded as the backbone of HR service delivery, enabling real-time insights and operational efficiency.

You might assume that the largest organisations or those operating in high innovation industries, for example, would be investing the most in service delivery technology / using more innovative solutions. The data in our survey doesn't show this – it's really mixed.

When we look at how service delivery technologies are used across different organisational groups, there's one key notable difference – in organisations of 10,001 to 50,000 employees. Whilst they all use the four most used service delivery technologies, they differ in that one in three use an in-platform chatbot which is 11% higher than the average of all organisations.

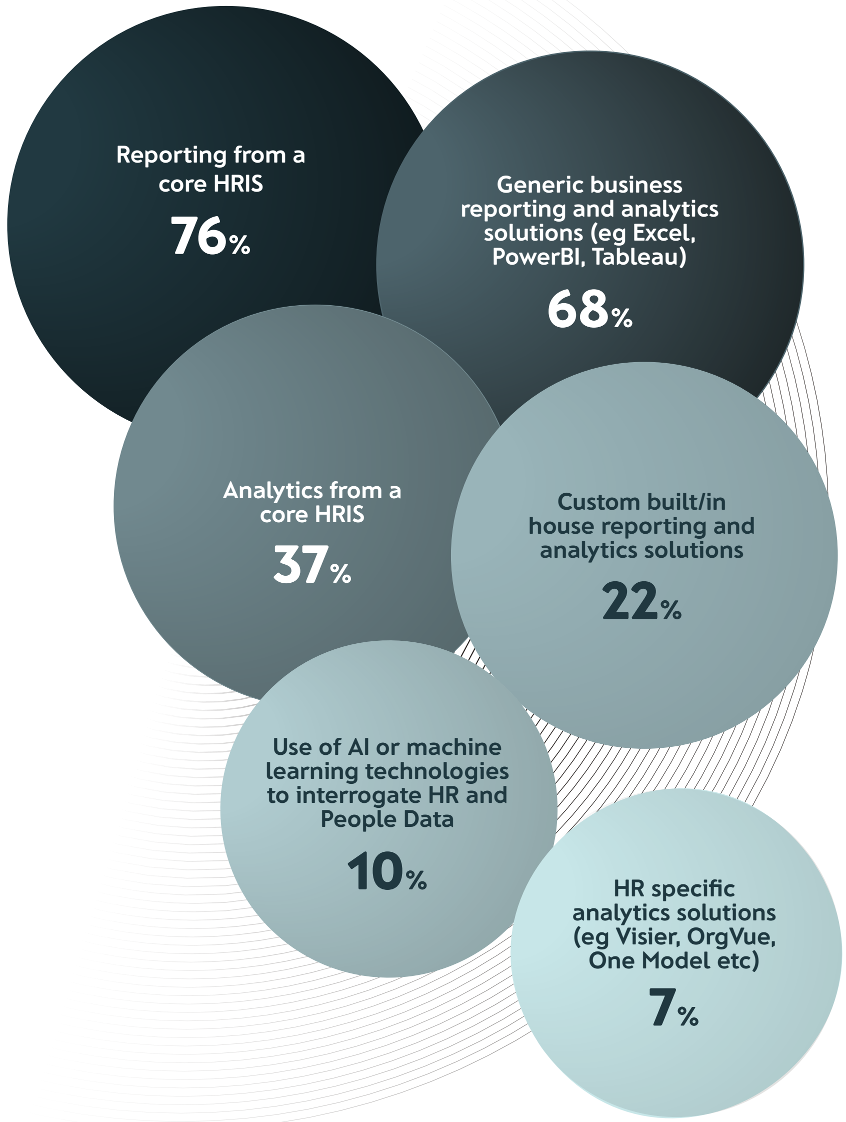
Most organisations in our survey (51%) use between three and five different service technologies. One organisation said they use nine! As explored in Chapter 5 on service offering and people experience, 'chat' was the least widely used contact channel and that data is reflected again here.

Types of service delivery technology used



Robotics Process Automation (RPA)	9%
Custom-built chatbot	4%
Agentic AI chatbot	2%

The analytical tools and approaches used to support day to day HR Shared Service delivery and operations



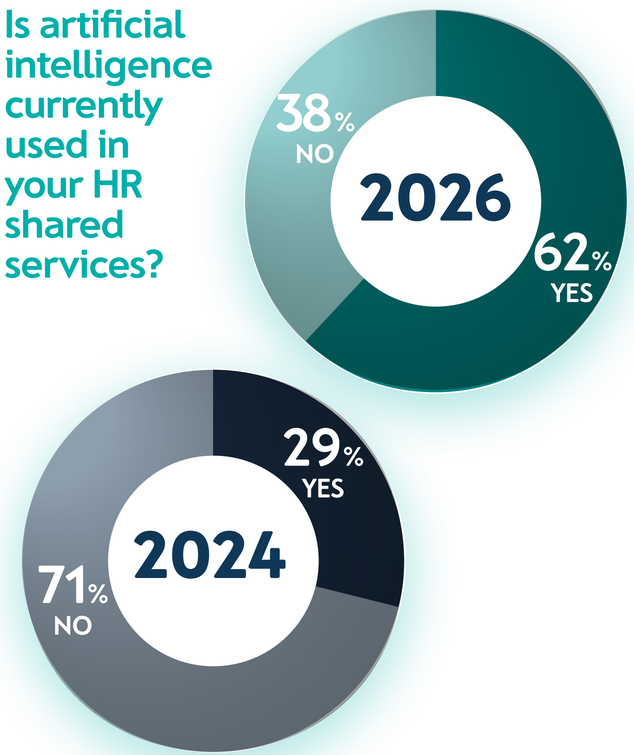
The conversation about AI in HR shared services has shifted decisively. Two years ago, the question was whether organisations were thinking about AI. Today, the question is whether they're ready for it.

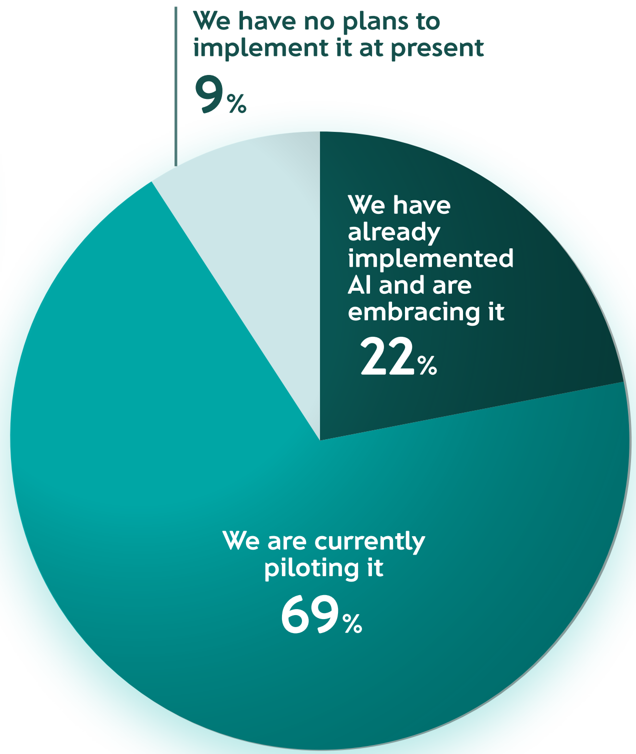
AI is delivering greatest impact in high-volume, rules-based 'Tier 1' activities.

It's almost impossible to go to an HR conference or round table event without AI coming up in discussion. With all the talk and hype around the potential for AI, there's mounting pressure for HR leaders to act and implement 'something'. This is reflected in this year's data. Usage of AI over the past two years has more than doubled, from 29% to 62%. In addition, very few organisations (only four / 9%) said they've no plans to implement any AI over the next 12 months. That's a radical change from 2024, where it was 62%.

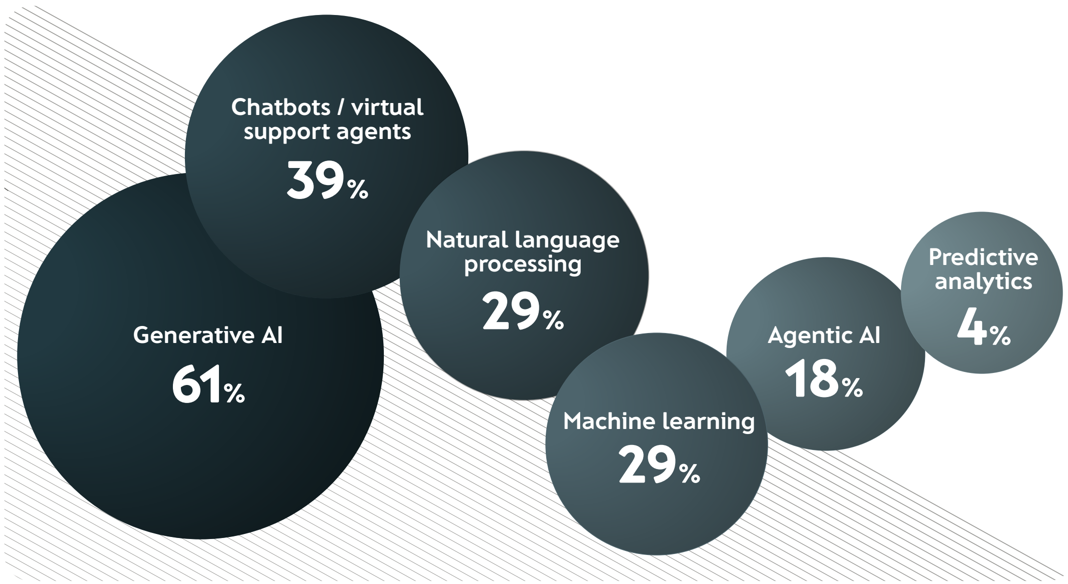
By far the greatest two areas of AI usage are the typical 'Tier 1' activities of query and knowledge management (76%) and employee administration (42%). These areas were also cited as providing the greatest return on investment. 'Tier 1' frontline support sees the highest volume of activity, responses are typically based on logic and insights can be gathered around trends to support continuous improvement of service delivery and knowledge creation. Provided that the data and content is robust, it's no surprise that organisations start here with AI – the opportunity for simplification and efficiencies is significant.

Is artificial intelligence currently used in your HR shared services?

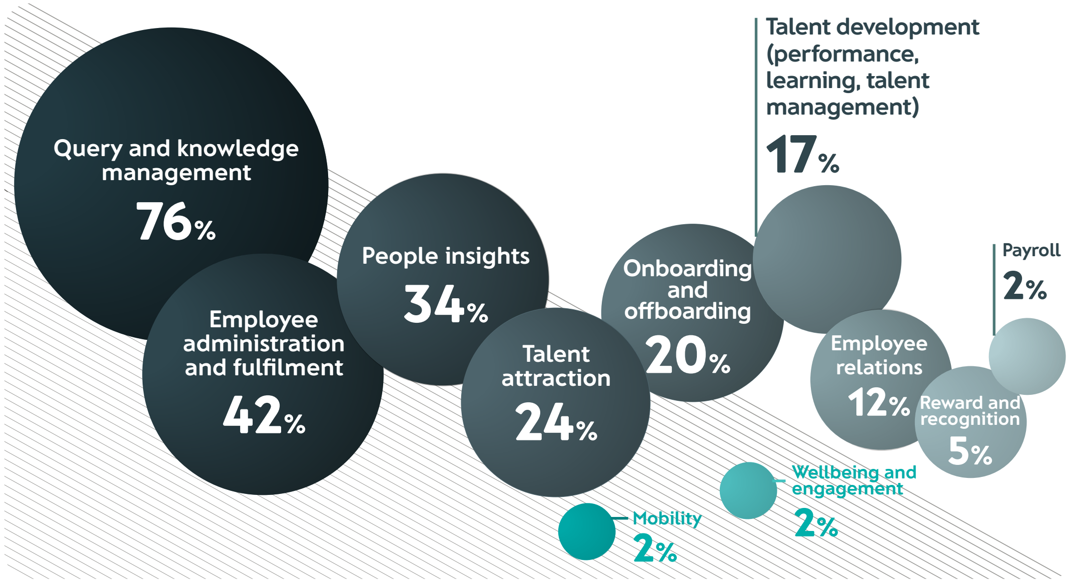




Type of AI used



Processes where AI is used



Technology vendors have been building AI into recruitment platforms for years now – e.g. CV screening, shortlisting, interviewing. It's also now embedded in Payroll (e.g. payslip distribution) and vendors' AI roadmaps span the full end-to-end HCM suites, meaning it's becoming so ubiquitous that it's almost 'invisible'.

There's also another side of the equation emerging: AI is not only being adopted by HR teams, but by employees and candidates too. Employees are using AI to draft or strengthen ER submissions, in turn causing a significant increase in the volume, quality and complexity of cases reaching ER teams. Candidates are using AI to create and refine CVs, while employers are increasingly using AI to screen and score applications – in effect, AI marking its own homework – making it harder to differentiate between candidates in a meaningful way. This raises a broader design challenge for HR leaders: how to build AI into end-to-end processes in a way that improves outcomes for the business, rather than simply amplifying activity at both ends of the process.

“We’re seeing the greatest ROI from AI in time efficiency for administration - specifically job descriptions, career frameworks, ER and employee letters, ER case assessments, policy and knowledge content.”

- Head of GBS, UK-based utilities organisation.

ROI is largely in line with expectations but rarely exceeding them, indicating that value is not yet fully optimised.

When asked about the level of return on investment from AI, most HR shared services leaders said it was in line with expectations (59%). None said it was greater than expected – leaving a significant proportion saying that it was less than expected. But why is this?

Organisations risk 'tactical AI adoption' without operating model redesign and governance.

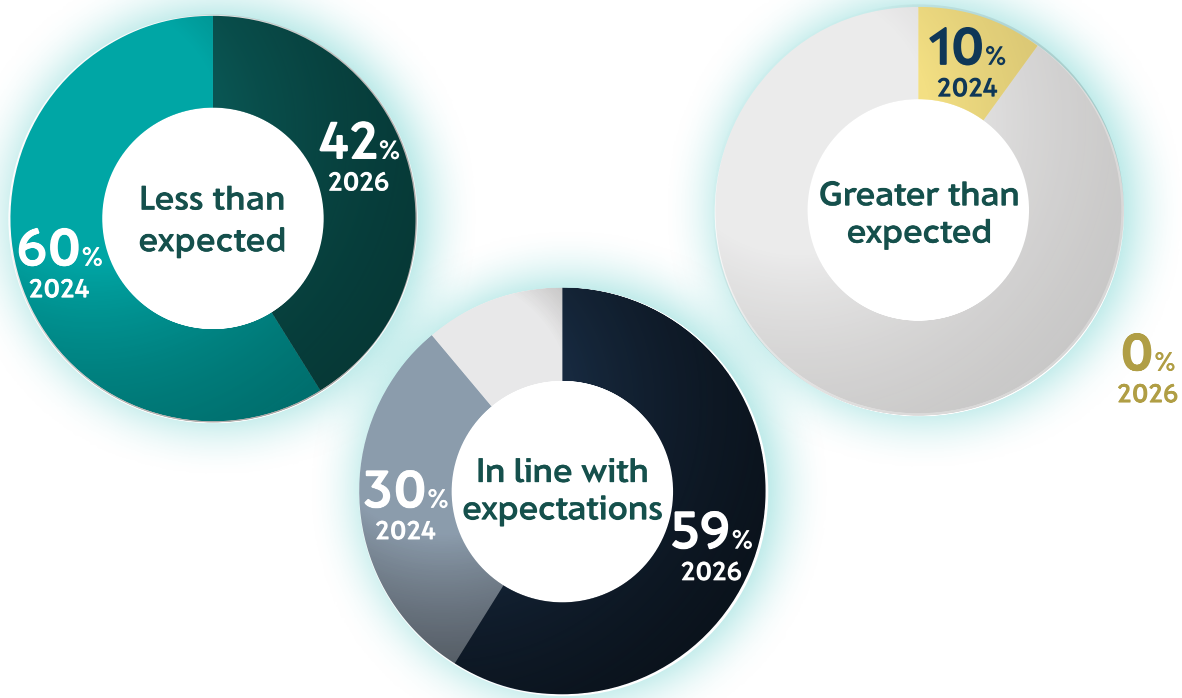
Whilst AI adoption has accelerated significantly, the data highlights a critical maturity gap. Many organisations are still in the early stages of embedding AI effectively, with limited clarity on operating model implications, workforce redesign, and governance structures.

- As we saw in Chapter 7 on skills and behaviours, there's currently a significant gap in HR's capability to use AI effectively. It's also cited as a top barrier towards shifting to becoming a more intelligence-led shared service (64% respondents).
- Most respondents said that they hadn't thought about what new roles were needed or that they hadn't yet decided. Ony a handful cited specific changes they were making, such as AI champions, an HR and data insights lead, content designers and product and solutions-focused roles.
- When asked what roles were being removed through embracing AI, the response was limited. Some respondents were reducing HR administration / entry level 'Tier 1' type roles and recalibrating roles in other areas due to work reallocation. Whilst there may be a need to reduce roles entirely and not backfill headcount, the challenge for HR shared service leaders is what to do with the extra capacity. We feel this should be redirected to focus on the delivery of strategic, value-creation initiatives that drive business outcomes (versus simply 'processes'), but that requires a different approach to organisation design.

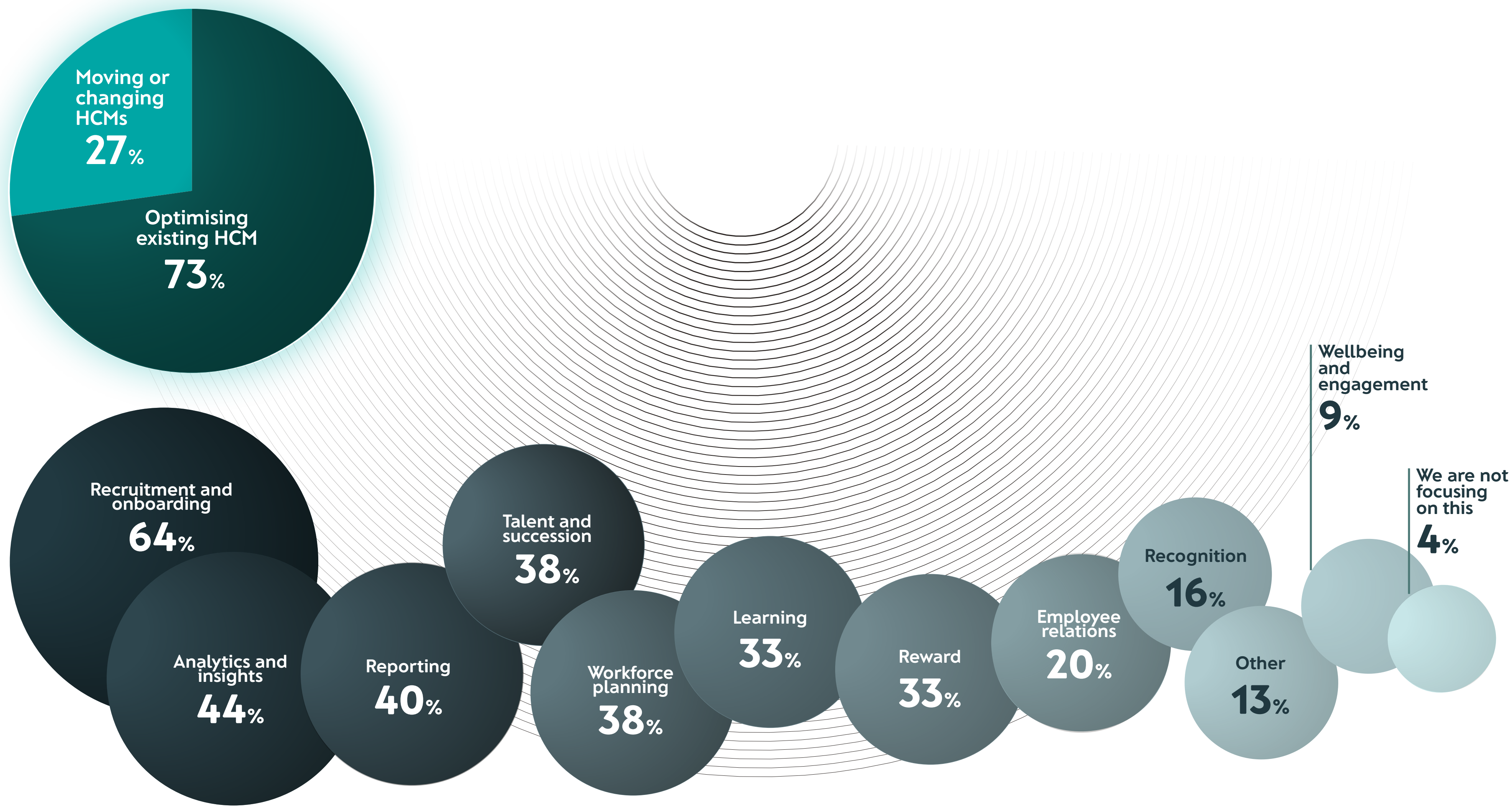
Taking us back to our earlier point around feeling the need to 'do something' about AI: the risk HR teams currently face is reacting to the pressure to put new AI tools in so they can 'tick the box', without taking the time to step back and sufficiently analyse whether it's the right thing, how to do it to get the right balance of 'human x AI' and ensure the right governance frameworks are in place to assure its usage.

What we don't see in these responses is anything related to AI governance. For example, roles such AI governance and HR ethics leads, and AI strategists. This not only poses ethical and compliance risks but will also limit long-term value creation from AI.

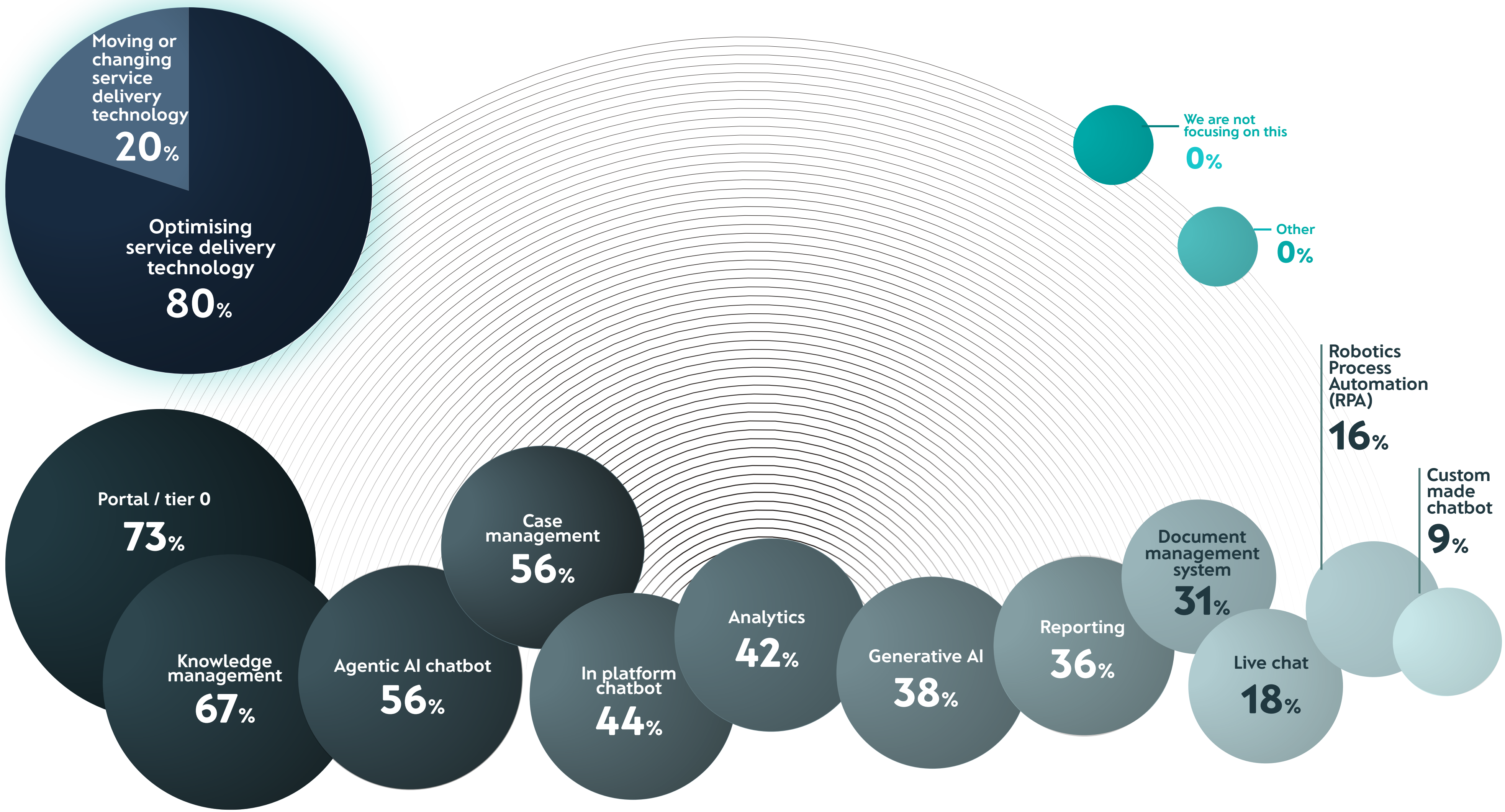
The return on investment from AI



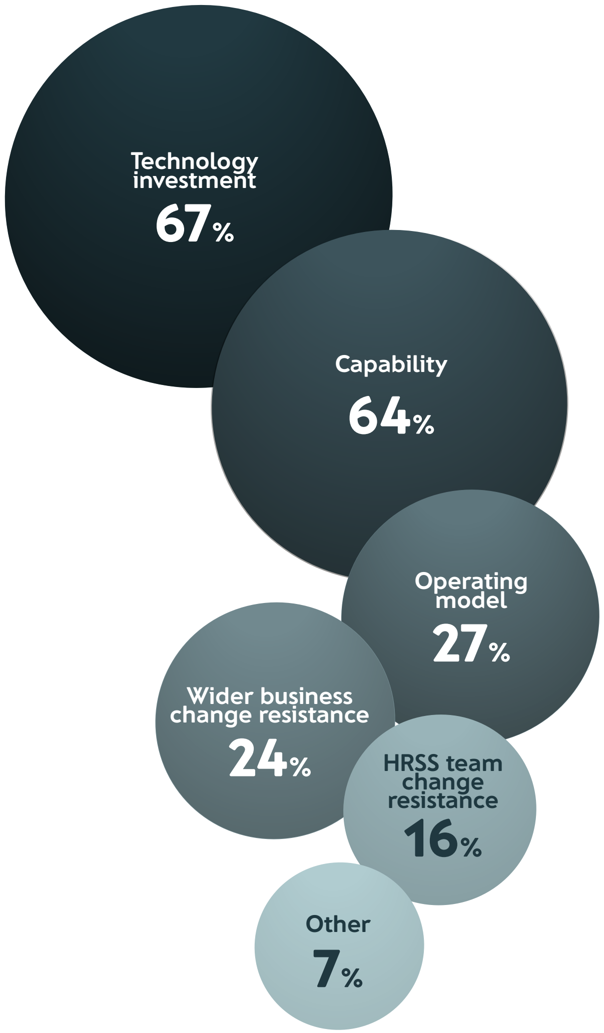
Focus for core HCM technology investment over the next 12-24 months



Focus for service delivery technology investment over the next 12-24 months



Potential barriers for shifting towards a more intelligence-led shared service



Future advantage will come from strong foundations, not just advanced tools.

The digitalisation of work is only going to continue to gain pace. Even though getting technology investment is seen as the top barrier to becoming a more intelligence-led shared service, every single one of the 45 organisations participating in this year's survey are making some sort of investment in technology. All but one organisation is investing in both HCM and service delivery technology over the next 12 to 24 months.

There is a clear ambition to create a new AI powered service delivery model (a core component of our 'Rewired HR' operating model), embracing AI in its more advanced forms. Responses show a significant increase in the usage of AI across all dimensions:

- Usage of Agentic AI moving from 2% today to 56% in the future;
- In-platform chatbot from 20% to 44%; and
- Generative AI from 13% to 38%.

These elements are critical to delivering adaptive, contextualised service delivery.

Investing in landscape simplification, applied AI, data management and a robust knowledge base is critical to the success of the intelligence and insights engine. The increased focus on knowledge management, with 67% prioritising continuous improvement of underlying platforms, reinforces an important point: trusted, well-governed knowledge is one of the most critical enablers of effective AI. Without it, organisations will struggle to unlock value, build confidence and scale AI successfully.

The 'TRUSTED' framework is LACE's rapid AI readiness accelerator for HR that benchmarks an organisation across seven key areas (Technology, Regulation, Usability, Security, Transparency, Ethics, and Data) to deliver fast, clear insight on AI maturity across people, platforms, and processes. Unifying the technology foundations and embedding a consistent, centralised governance model ensures priorities are aligned to outcomes. Until organisations do this and do it well, levels of ROI from AI will continue to be sub-optimal.

What is key to the successful implementation of AI?

“Aligned IT and HR delivery team.”

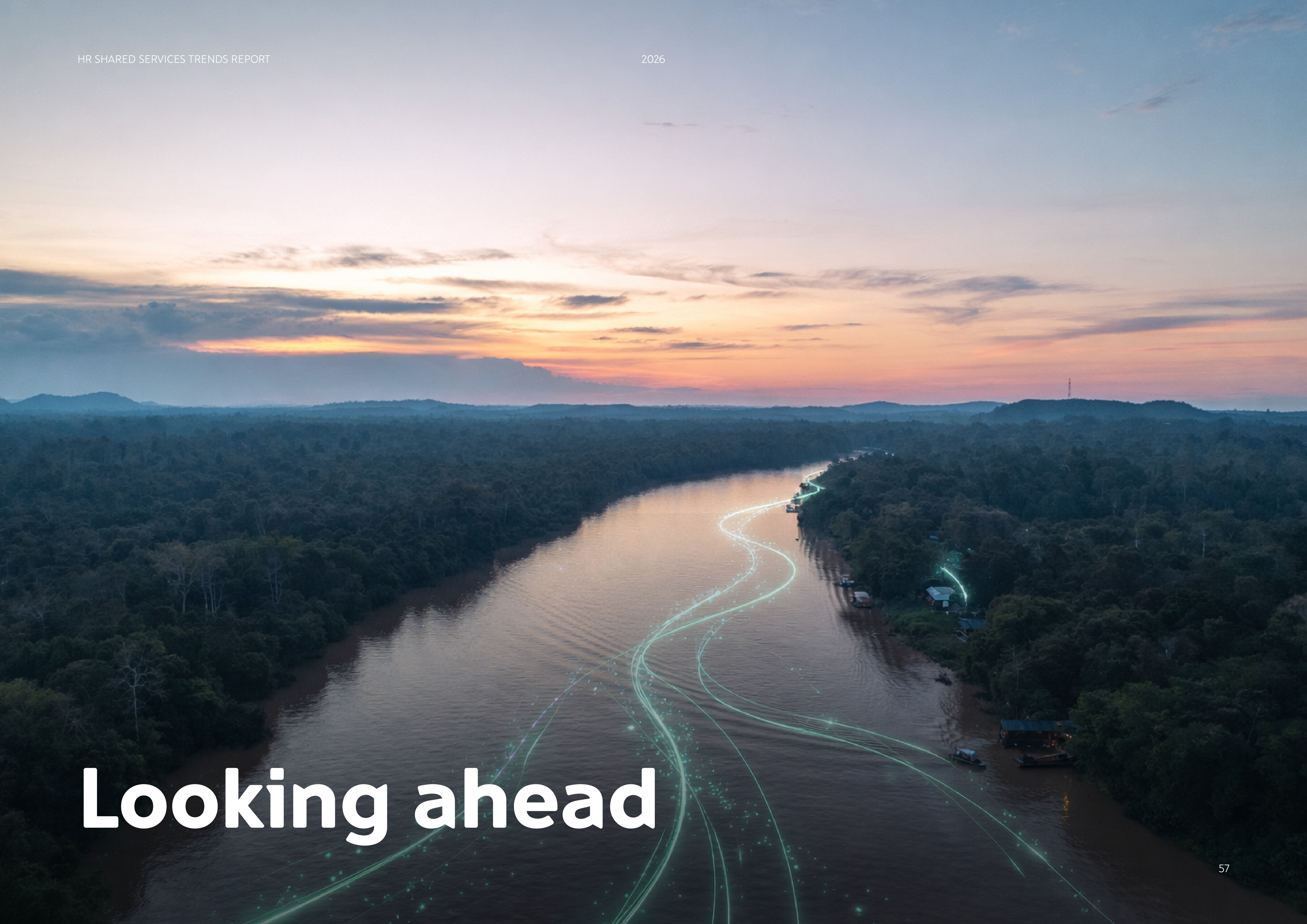
“Change management, curiosity, critical thinking and creativity skills.”

“Identifying the genuine business benefit and planning the user journeys.”

“Start very simple.”

“Slow, process by process and no loud launch!”

Responses shared by survey participants



Looking ahead

A clear and compelling vision is emerging from HR shared service leaders' free-text responses to this question: HR shared services is repositioning from operational backbone to an intelligent, experience-led, AI-enabled service platform at the core of the employee experience and business value creation.

From transactional engine to strategic partner.

The dominant shift is away from traditional delivery towards higher-value, insight-led contribution. HR shared services becomes not just 'the engine of HR' but a core enabler of organisational performance, providing both operational excellence and decision intelligence.

AI-powered, digital-first service platforms.

Leaders consistently point to a future defined by deep digital enablement and AI-driven orchestration. Technology becomes the primary execution layer, AI agents take on low-value, repeatable tasks, agentic AI surfaces information in the flow of work and human in the loop' oversight ensures compliance, governance and manages risk. Automation is not just efficiency-driven but redefines how services are delivered end-to-end.

Human–AI partnership redefining the workforce

The future HR shared services workforce is smaller, more skilled, and augmented by AI, with humans focused on where they matter most to own and drive the employee and manager experience. HR shared services roles shift even further towards advisory, coaching and complex case resolution, focusing on judgement and insight creation.

Experience-led design at the core.

The responses to this year's survey continue to reinforce the repositioning of HR shared services as the driver of employee and manager experience. At the heart of day to day employee interactions, it owns experience organisation and shaping how employees engage with HR across the lifecycle.

A platform for value creation, not just cost efficiency.

While efficiency remains important, the narrative is shifting toward value generation. Success is no longer defined by cost alone, but by contribution to business outcomes, experience and agility, enabled by data and insight.

What do HR leaders see as the future of HR shared services?

"It is a core strategic partner to business growth."
HR Shared Services Director,
Global transport and travel organisation

"HR shared services becomes the core of our employee experience."
CHRO,
Global financial services organisation

"HR shared services are evolving into AI-powered, user-focused data-driven service platforms that not only reduce cost but also drive business value."
HR Shared Services Director,
UK-based construction organisation

Conclusions and reflections

Our very first HR shared services report in 2020 was titled 'The future of HR shared services: becoming people experience and solutions experts'. It was a bold ambition and one which still holds true based on this year's responses.

Since then, one key thing has changed: the proliferation of AI in the workplace. It has the potential to be a game changer. The tools are available. The question is now whether HR shared services teams have the mindset and the confidence to truly make this ambition a reality.

We have provided a series of challenge questions that HR leaders should consider as they seek to unlock the next generation of HR services.

1. Service offering and people experience

- Where has HR shared services scope expanded by design and where has it expanded by default?
- What would need to be true for manager advisory and coaching to sit more confidently within HR shared services — and what would be the risk of not doing so?
- Are your outsourcing relationships still fit for the next generation of HR service delivery or are they optimised for yesterday's requirements?
- Who is accountable for employee experience in your HR operating model, and do they have the authority to redesign journeys across functional boundaries?
- As AI handles more of the transactional work, where is the distinctive human value your shared services team provides and are you investing to develop it?
- If 13% of organisations have no specific experience priorities, what would happen if your organisation made experience design a leadership discipline rather than an improvement project?

2. Structure, governance and continuous improvement

- What would need to change in your operating model for HR shared services to be seen as a strategic enabler, not just a delivery engine?
- Does the current HR shared services structure enable insight, governance, capacity flexing and better experience?
- Are you treating AI as a tool or as a fundamentally different way of designing work?
- Do you have clear principles for what should be automated, augmented or retained as human activity?
- Are your dashboards telling you whether work is being processed or whether HR shared services is improving outcomes for employees, managers and the business?
- How do employee listening, service data, knowledge quality and AI insights feed into one continuous improvement system?
- What would it take to make continuous improvement part of every role, not just a specialist capability?
- When leadership teams prioritise HR work, are they making decisions based on genuine capacity and capability data or on confidence, influence and who shouts loudest?
- What work are you currently committed to that you do not have the realistic capacity, capability or governance to deliver well?
- Do you have a clear line of sight between strategy, prioritisation, resource allocation and delivery outcomes?

3. Capabilities, behaviours and talent

- The same three capabilities have remained at the top of the priority list for six years. What is continuing to slow progress in embedding them at scale?
- If core capabilities such as analytics, service and experience design, and continuous improvement are still developing, how prepared are your HR teams to realise meaningful value from AI?
- What is our talent strategy to plug the generative AI skills gap: build, buy, borrow?
- The ‘challenger’ behaviour has risen sharply. Are you actively building an environment where your teams feel safe to push back or is the expectation implicit but unsupported?
- As automation reshapes the nature of entry-level work, what becomes the entry point into HR shared services?
- What future roles or personas will sit in HR shared services: data translator, prompt engineer, ethics lead, experience designer, AI product owner, knowledge curator, manager advisor, service consultant?
- What will future pathways into HR shared services look like and how do they interconnect with the wider HR function and other enterprise teams?
- Which critical capability would create the greatest risk to your HR operating model if you could not source or build it within the next 12 months?
- In a function undergoing significant capability transformation, what are the long-term risks of not actively building future leadership pipelines?
- What would it take to make HR shared services a recognised talent engine for the wider HR function, rather than a place people pass through or plateau?

4. Digital enablers

- Where does data and analytics sit today? How are you embedding it into every layer of the HR ecosystem?
- Who owns the AI agenda within HR in your organisation? If the answer is not immediately clear, that is itself the answer.
- Where are poor data, fragmented content or inconsistent process rules limiting AI performance today? AI is not waiting for data to be clean, processes standardised or governance to be in place. What is your honest assessment of readiness and what is the specific plan to close the gap?
- Is your knowledge foundation strong enough for AI to be trusted at scale?
- What is your plan to redesign roles and ways of working as AI becomes more embedded within HR processes?
- How will you respond to a world where employees and candidates are also using AI to navigate, influence or accelerate HR processes?

“The future is exciting. If we get this right, HR shared services becomes an organisation that is key to colleagues’ experiences. I can see a world where the traditional Centres of Expertise no longer exist.”

- HR Shared Services Director,
UK-based travel and transport organisation

Report Authors

LACE is the UK's leading specialist advisory firm dedicated to the People agenda. We are expert-led, and dedicated to advising, optimising and transforming across the landscape of people at work.

Our experienced team brings the collective experience of having successfully supported more than 500 organisations with their most complex and challenging HR, workforce, payroll, reward and performance initiatives.

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