Contents

Why Introduce an HR Shared Service Centre? 3
The new HR Delivery Model 4
Including the right processes in the HRSSC 5
Role of technology 6
Planning for HR Shared Services 6
Shared Services isn’t for everyone 7
Overview

Shared Service Centres (SSCs) are becoming an increasingly common way of delivering HR services to organisations. Several factors are driving this growth:

- By centralizing business processes delivery into one (or a few) locations, the HR function can improve its efficiency and build on economies of scale, while improving the quality of service provided.
- As technology such as employee self service continues to change the way companies operate, it is possible to deliver services across geographically dispersed operations. A Shared Service Centre takes advantage of this technology and removes the constraints of location and time zones.
- Shared Services is a way of driving a step change in the way that the HR function is structured and how services are delivered.

Shared services is not necessarily the same as centralisation – in fact, it is possible to create a shared services model based on multiple locations. Likewise, shared services is not the same as outsourcing, although it may include some services that are performed by a third party (see also the NGA Human Resources HR Guide to Outsourcing). There are two distinctive features of HR shared service centres:

- They are based on a common, i.e. shared service provision of routine HR administration
- They are service-focused, enabling the customers of the shared service to specify the level and nature of the service.
Why Introduce an HR Shared Service Centre?

- Reducing costs and avoiding duplication of effort - streamlining business processes eliminates duplicated effort, simplifies services and helps to reduce costs. Shared services delivery models create a ‘critical mass’ of delivery capacity and there are often major economies of scale to be found through reduced management overheads and shared technology as well as estate/accommodation rationalisation. Shared services also offer the potential to exploit common buying power, such as standardising on recruitment agencies or training providers. Locating an expensive city-centre operation to areas where wage costs are relatively lower is also a factor.

- Shared knowledge - HR knowledge is often dispersed across several people and expertise may be hard to find. Shared Services allows the pooling of knowledge and best practice on HR processes across different parts of the organisation, rather than dispersing it in many places. This leads to a better response and a more consistent approach to policy implementation.

- Improving quality of service to customers - efficient processes mean that timely, accurate information and advice can be given to customers, leading to a step change in the perception of service quality. Sharing services can also help to reduce competition and rivalry between different parts of the business.

- Re-focus the HR function - by separating the administrative component of the HR service, HR is freed from its day-to-day routine activity, enabling the HR function to become more business-driven and focused on facilitating and supporting organisational change.

- As a first step towards outsourcing - once internal efficiencies are demonstrated, it might be easier to argue the business case for outsourcing to an external provider. Additional benefits can often be achieved through outsourcing, such as greater access to technology and further economies of scale.

- As a possible profit centre - once successful, HR Shared Service Centres may actively seek to use any spare capacity by selling excess capacity to other organisations.

HR Shared Service Centres operate as stand-alone businesses, providing services at the cost and quality levels required by their clients. Rather than duplicating activities within each business unit, activities are provided across the organisation. The customer of a Service Centre is the entire workforce and one Service Centre can serve many business units, potentially taking into account variations in policy and process. Building an HR Shared Service Centre therefore involves combining the most appropriate people skill sets with the right processes and the right technology, offering the service through a range of communication channels. Shared Services usually includes the following components:
The New HR Delivery Model

Often the introduction of a shared service centre is just one element of a wider change to the operation and structure of the HR department. For example, a shared service centre is often introduced as part of a transformation process that includes a move to introduce business partners and Centres of Excellence (sometimes referred to as the 'Ulrich' model). Many organisations are now moving to an HR delivery model which contains three core activities:

**HR Consultancy** - this activity focuses on providing internal HR consultancy support for business change and strategic people management, typically through a business partner model. It also provides the business with support for people development, organisation development and other generic HR subjects.

**HR Centre of Expertise** - The Centre of Expertise contains Subject Matter Experts, who are able to re-engineer HR processes and are responsible for developing new HR policies and organisational development. The Centre also ensures that HR is aligned with and contributes to the corporate strategy.

**HR Service Centres (HRSC)**: The HR Service Centre (sometimes known as a Contact Centre) is the first layer of communication for the shared services operation and is accountable for information and transaction processes. Customers typically approach HR through this layer, which is fully focused on efficient transaction and case handling. This level is also responsible for providing the necessary infrastructure (including technology) and for optimizing processes to maximize efficient and effective HR service delivery.
HR services are typically provided through a series of ‘tiers’, which are described below:

- **Self-service (Tier 0)** - using technology such as Employee and Manager Self service, interactive telephone systems, web and email forms. The target is that around 2 out of 3 requests are solved through automated technology, without human intervention or assistance. This reduces costs and speeds up transactions.

- **Human interactions with Service Agents (Tier 1)** are in place to handle queries or issues which cannot be dealt with as pure Tier 0 transactions. Service agents are typically HR generalists who have a good knowledge of all processes provided by the contact centre.

- **Subject Matter Experts (SMEs) & Case Workers (Tier 2)** and **Policy Experts & Process Owners (Tier 3)** handle all requests passed to them by Service Agents through an escalation process.
Including the Right Processes in the HRSSC

A large number of HR processes can be made available for support through an HR Shared Services Centre. When combined, these processes provide a framework that is predictable, reliable and delivers benefits. However, not every process is suited to be included in an HR SSC and not every process step can be successfully transferred to a shared service environment. When reviewing processes, it is therefore important to ensure that there is adequate economy of scale and that processes are capable of standardization. Wherever possible, there should be an opportunity for technology to be used to support the process. It is also important to remember that HR still is about people and at times face-to-face, on-site personal meetings are needed to provide advice and personal counseling.

HR Business processes may be categorised as follows:

**Basic processes**
These core processes often have local or regional characteristics and include payroll and benefits. These processes typically have a high service demand and a high degree of complexity due to difficult data structures caused by the regulatory environment. They should therefore be integrated to enable large populations to benefit from Self-Service potential and online calculations.

**Value processes**
These provide “key-tools” for HR management. The main driver for implementing these processes is to deliver the value to the customers and deliver outstanding support for the HR Business partners, Policy Experts and Process Owners.

**Enabler processes**
These consist of a single support solution, available for the complete employee population and owned at national or even global level. The main drivers for these processes are reduction of administrative costs, increased accuracy of data and HR management information.
Strategic processes

These processes include executive compensation, stock option plans, HR benchmarking and overall HR strategy.
Role of Technology

Shared Service Centres are increasingly enabled by technology and the use of intranets, selfservice (e-HR) and call-centre technology (such as case management tools) have become a foundation layer for shared service provision. Only technologically advanced HR Service Centres are likely to realize the full benefits of HR Business Transformation.

The crucial factor in moving towards significant cost reduction and quality improvement in HR service delivery is the ability to deliver scaleable self-service transactions to employees and managers in such a way that more than 60% of all HR matters is processed without any human intervention (other than employee input). This high degree of self-service constitutes a mind shift: the standard is self-service and the greater use is made of technology, the lower the requirement for people to provide administration support.

For employees, e-HR allows them to update their personal details, request changes to benefits or to initiate HR processes. For managers, it can reduce the time taken in administration, for example, speeding up the hire of new employees, changing salaries and organisation data or automating performance management. Workflow tools support the automation of processes.
Planning for HR Shared Services

Several factors need to be taken into account when planning an HR shared service centre:

- Establish a clear business case: Shared Services must be based on a clear business case for adding value to the business. A critical question to be asked is “how will shared services help the organisation manage its business more effectively?” Unless there is a clear rationale and management support for the transition, shared services will not be successful.

- Review and redevelop HR processes. Simply pulling processes together into a single, central location is unlikely to deliver a more streamlined, customer-driven service. Moving to an HR SSC requires a fundamental re-engineering of HR processes.

- Organise the HR Team in new ways: HR shared service centres can be resourced by inhouse personnel or they can be outsourced to specialist third party outsourcing providers. In practice, organisations are using hybrid models, combining these delivery methods. One example of a hybrid model might be whereby the majority of the HR services are provided through an in-house shared service centre, with a few specialist areas being outsourced. A different example could be where administrative activities are outsourced to one provider and other specialist areas are outsourced to separate specialist providers.

- Develop a service delivery ethos: In an HR SSC, the focus is on the employee/manager as a customer. Staff training is clearly important to this, but so is a mindset that supports the idea. Non standard processes or ad-hoc requests drive up costs and culturally it will be a challenge to refuse to process certain types of work. New charging mechanisms may have to be put in place to deliver specific work.

- Clarify roles, responsibilities and accountabilities: It’s important that customers have a clear understanding of what will be dealt with, when and how. It’s also important to clarify and communicate the role and responsibilities of the customers (eg line-managers). If the shared service centre model requires them to act differently (for example through the introduction of on-line self-service), they must be informed of the new processes and given appropriate support.

- Measure outcomes - service level agreements are usually used to demonstrate that quality processes are in place and being delivered. These are used to justify increases in cost and to allow benchmarking against alternatives. Perhaps for the first time, HR delivery will be accountable and measured. It’s essential to agree on performance measures to ensure that services are being delivered to plan - for example, service level agreements and Key Performance Indicators provide a framework for measuring the effectiveness of the service delivery, as well as ensuring continuous improvement.
Shared Services isn't for Everyone

Shared Service Centres seem like a quick route to economies of scale and improved competitiveness. But they are not for everyone and there are several pitfalls you need to carefully watch:

- Shared Services aren't a magic bullet: Implementing a Shared Service Centre in a disorganized company will not solve the problem. To be successful, an HR SSC requires a mature organization. For example, managers need to be able to negotiate SLA's (Service Level Agreements) with operations.

- Shared Services doesn't automatically lead to standardization: The process steps and deliverables must be clearly defined. The ownership of procedural steps between Service Agents, Subject Matter Experts and Business Partners has to be communicated and defined without any ambiguities. There will often be some compromises across business units to accommodate shared transactions.

- New levels of planning and Accountability: The workload of an SSC has to be tightly planned. All additional workload must be costed, planned, resourced and agreed. Forecasting demand is essential to the SSC and good data on performance is absolutely essential.

- Local issues matter: It is impossible to ignore cultural diversity, whether it is between countries or even between locations. For an international SSC, multi-lingual staff, will be important, but don’t forget that people from different UK offices may have different policies, or even speak with different accents and have local ways of working.

- HR SSCs are political: You should not ignore the political impact of an SSC model. A SSC will modify not only the structure of your business processes but also the distribution of power: this will affect not only your administrative employees but also senior management. Very quickly, different groups argue that they will be unable to change their processes to fit a standard model. The SSC must strike a balance between business and HR strategy, the business case for the SSC and individual needs.

- SSCs take time: It is often sensible to demonstrate the viability of the SSC concept through a series of 'quick wins'. One way to achieve this is to begin with highly standardised business processes, then build on this by adding more complex processes. Successful SSCs develop and mature over time.

- Technology doesn’t solve everything. The transition towards a shared service experience for HR can be disruptive; HR service teams need to learn new skills and complex technology solutions with a multitude of interaction channels (e-mail, web-chat, portals, fax, IVR etc.) can be counter-productive, resulting in poor service delivery quality. It may be better to build a scalable platform but limit the number of interaction channels during the start-up and stabilization phase to one on-line (phone) and two off-line channels (e-mail, fax).
NGA Human Resources is a global leader in helping organizations transform their business-critical HR operations to deliver more effective and efficient people-critical services.

We help our clients become better employers through smarter, more streamlined business processes - to save money, manage employee life cycles and support globally connected, agile organizations. This is how NGA makes HR work.

What sets us apart is The NGA Advantage. It’s a combination of deep HR expertise and insight, advanced technology platforms and applications and a global portfolio of flexible service delivery options.

www.ngahr.com