



# Trends in HR Shared Service Delivery: Service Quality is Gaining Importance on the Agendas of Shared Service Decision-Makers

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During the recent economic crisis, shared services established itself as a common optimization strategy for cost, quality and risk. Shared services have become a default for large enterprises striving for best-in-class administrative efficiency. Leading analysts confirm the high correlation between top-performing companies and companies that operate shared services in a specific domain.

Shared services owners have mastered the transition of teams and functions into shared services centers. Shared services centers have been routinely moved offshore and have successfully unlocked labor arbitrage effects. All in all, shared services organizations have achieved expectations on savings. Do shared services also fulfill the promise of turning administrative processes into a service to the business?

Reviewing the feedback from shared services owners over the past years highlights that service quality is slowly but surely outpacing every other priority on the shared services owner's agenda. In fact, service quality has even outpaced cost savings on shared services owner's priority list (see Figure 1).

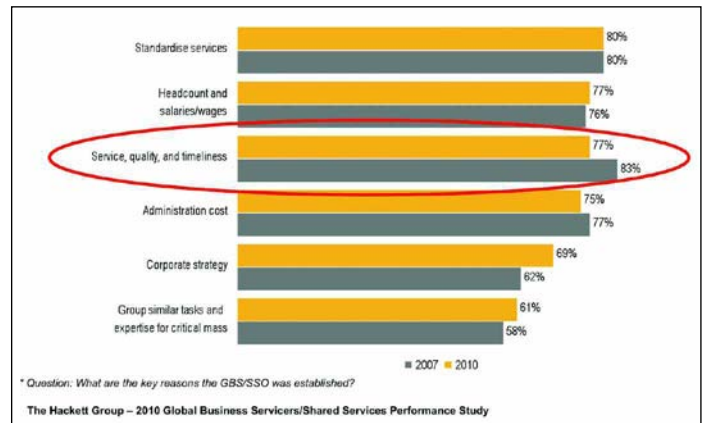


Figure 1. Service quality is a growing concern of shared services decision-makers. (Source: Hackett, 2009)

Expectations are that shared services will continuously add value to the company they are serving. Initial value has been realized with savings from efficiency gains in process execution. In many cases, this is achieved by executing the same processes in a more predictable way and with lower cost resources. Companies have already adapted to the comfort of the shared services organization delivering these improvements on a year-after-year basis. But, expectations don't stop there.

Being a more efficient process isn't enough to satisfy expectations in the longer term. Aggregating administrative functions into the shared services centers came at the price of separating the business from its administration. The human perception of the stakeholders and customers is often that "the path to service gets longer" as a consequence of initiating shared services. So, while costs may be lower, the perception is that the service quality may suffer as a consequence of efficiency.

This leads to the question: *Do the lower costs achieved by shared services and service quality, aka, satisfied customers of the service centers, have to be natural opposites?* This article will argue that they do not. With the right organizational concepts and readily available means of technology, one can optimize services on both cost and service quality dimensions.

## The Role of Technology in HR Shared Service Delivery: What Should Shared Services Owners Consider when Choosing their HR Shared Service Delivery Platform?

The business parameters for shared services delivery get increasingly difficult due to the development of labor markets in the typical offshore locations, and the mix of in-house and outsourced process support. Automation of previously manual process execution provides a convenient escape route for shared services centers.

Automation comes in several variants. The typical expectation for automation is lights-out processing of business documents (invoices, applications, notifications) along sets of business rules, i.e., no person touching the transaction. Automation can also be an interactive process in which application systems feed the process constituents with activities ordered by business priority, e.g., applications by deadline of resource requisition.

With the shared services organization in control of a large aggregate volume of business transactions, it can afford to provide services that would neither be possible nor cost-efficient for the company units prior to aggregating administrative activities in shared services. Automation investments – usually decisions to acquire business software applications like travel management, recruitment or talent management – make a positive business case when applied to the large aggregate transaction volume of the shared services organization. A specific opportunity for applying automation and improving service quality lies in the communication between the shared services center and its internal and external process constituents.

Shared service centers recognize that communication takes a sizeable amount of their time. Shared service owners indicate that they find that communication efforts are of the same order of magnitude as the actual process execution. Of more importance is the fact that communication is the face of the shared service center to the client, be it the employee or the manager (see Figure 2).



Figure 2. SAP solution map for shared services.

Communication managed efficiently will not only save a substantial head count cost component in the service center, but will also address the all-important perception that the shared service center is at the service of your customer base.

## How Technology Supports Delivery of Appealing HR Shared Services

The authors suggest considering the following principles (see Figure 3) to allow technology to support the delivery of shared services for HR.

### 1. Leverage process automation to free your staff from repetitive and labor-intensive transactional work (Pillar I – Automation).

Freeing your shared services team for value-add activities and for interaction with your employees and managers

will open up opportunities for better service without an increase in head count. There is nothing worse than having to speak to a service center person who is caught up in their volume transaction work.

Automation is achieved by applying software applications to labor-intensive business processes. Automation classics in HR shared services are the automated reconciliation of travel expense claims, electronic document archives that provide instant access to paper document information for any shared services agent, payroll and applicant collection and filtering in recruiting.

Process automation should not always be considered as lights-out automation – in other words, process execution without any human involvement. The automation principle also applies if a process calls for approvals or brings up residual work items that have failed automated checks. For instance, a recruitment process can automatically reject applications that fail fundamental criteria such as completeness or deadlines. Matching applicants will be put in front of hiring managers via workflow for final selection. A travel expense claim management process, supported by suitable software applications, will automatically reconcile all expense claims that match the given set of rules and post them for payout. If fraud prevention is a concern, an additional rule can be set to request a manager’s approval for a certain percentage of claims. An advantage is that the manager would get validated cases on their desk (or in their e-mail inbox) for which they don’t have to do any basic checks first. The extent of support from automation in both examples is substantial and can reduce head count requirements of the shared service center by orders of magnitude.

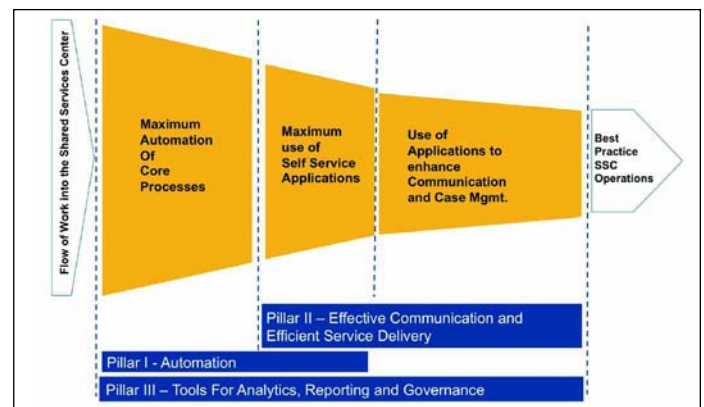


Figure 3. Best practice shared service setup leveraging automation and addressing communication.

### 2. Implement/operate an Interaction Center front-end (Pillar II – Effective Communication and Efficient Service Delivery).

The Interaction Center concept, in combination with intelligent telephony or “templated” e-mail, seamlessly connects the employee with the best-fit service center contact and supports redundancy-free communication. Define a layer concept by which the majority of employee contacts go to a generalist function that is focused on swift turnaround, while

a second (or specialist) layer caters for the unforeseen. Technology supports the routing of the request within the service center. Turn yours into a learning organization by turning repeat unforeseen events into level one cases.

To enable your shared service organization to do so requires traffic analysis facilitated by service tickets. Creating and maintaining service tickets benefits from technology, reducing the substantial effort that ticket administration requires.

So how does the resulting setup work? Assume an employee wants to report sick leave. He or she calls a defined telephone number, goes through a voice menu that offers “reporting sick leave” as an option. The call reaches the shared service center and when the designated shared service center agent accepts the call, the employee’s data and the application for leave appears on the agent’s screen, with the employee data already selected. A service ticket has been automatically created and has been pre-filled with the employee’s identification information and the purpose of the request. Based on the category of the request (reporting sick leave), the shared service center agent is presented with a script on what is suggested to do.

Note the “designated” shared service center agent will be determined automatically using the routing rules that can be defined for any element appearing in the shared service center’s service catalog. Consider that this case still requires the shared service center to handle telephone calls. Providing both good service levels and language support for telephone calls is head-count-intensive. The service ticket will be updated with data that can later be used to aid in traffic analysis (see Pillar 3) and service level information.

### 3. Consider and implement self-services where applicable (Pillar II – Effective Communication and Efficient Service Delivery).

In our example of the sick-leave report, the employee would now report his/her absence via a self-service portal. The electronic request would create a service ticket in the designated shared service center agent’s inbox but now the request can be taken up by the shared service center team more flexibly, not requiring instant response or spoken language support. This facilitates the reduction of head count needs. All other support for further processing, i.e., presenting the shared service center agent with a script and the application the agent needs for further processing of the request can remain the same as in the previous example.

Self-service places the shared service center at the fingertips of your customers – the employees. They have to be convenient to use so as not be seen as “making the employee do the job of the service center.” If they are not easy-to-use, the employees will still contact the service center for assistance, negating the potential benefits of the self-service processes. In certain cultures, self-services are not accepted, so you need to take that into account as well when you design your service interfaces. It is completely acceptable to localize the service interface to the preferences of specific country or culture.

### 4. Agree on service levels and steer your service center’s performance along the same key performance indicators (Pillar III – Tools for Analytics, Reporting and Governance).

It sounds straightforward, but managing service level agreements using the “right” key performance indicators (KPIs) is still one of the bigger challenges in shared services delivery. Shared services centers are producing a wealth of transaction information on a day-by-day basis that provides the perfect database for performance analysis. This data, however, has traditionally been tough to access. As a consequence, shared service centers have either resorted to head-count-consuming manual data collection via spreadsheets or to convenient-to-source, but dubious KPI sets.

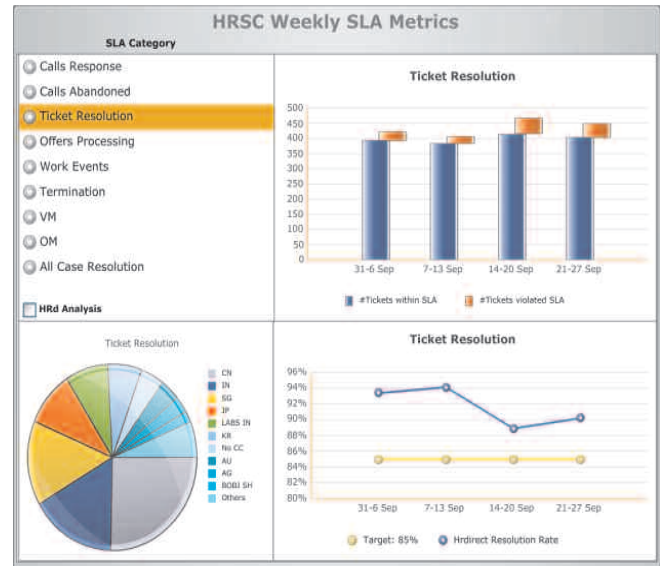


Figure 4. Governing the shared services-to-client relationship via service level agreements.

For instance, a shared services center wants to examine its adherence to its service level agreement signed with each of the internal organizations that the shared services center serves. All activities triggered by employees initiate service tickets at the shared services center. These service tickets carry service level information with them. For each task or service category that the shared services center offers and for each target client that the shared services center serves, a specific service level can be defined. During each transaction and during each step of the transaction, time stamp and ownership information will be written. Retrospective analysis can evaluate not only how long it took to process the case, but also how long the service center itself owned the case and whether the employee responded in a timely way to prompts for further information from the shared services center. If this information is contained in databases that can be accessed for reporting and analytics, no spreadsheets are required for determining service level compliance or for calculating other KPIs.

Applying these three principles (or pillars) will provide you with a comprehensive service delivery platform. But, please read on – we are not finished yet. Your shared services deliv-

ery platform will need to cater for the expansion of the shared services approach to additional lines of service like Finance or Procurement or, in other words, to *multifunctional shared services*. Although the immediate need may only be for centralization of HR services, sooner or later more administrative functions will be subject to be shared. Multifunctional shared services have already established themselves as a widespread practice. One reason for this is that the line of separation between the different approaches to assigning business processes to shared services centers has never been strong. For example, we find payroll and travel expense management are as likely to be assigned to HR as they are to be assigned to Finance shared services centers. Other examples from outside HR are Procurement and associated invoices, which are at times attributed to Finance shared services centers and sometimes allocated to Procurement shared services centers. Seen from the perspective of end-to-end business processes, there is neither a particular need nor value for drawing strict boundaries as long as the service provision addresses the right constituent with the expected level of professionalism. The authors recognize that the specific needs for data privacy and security in HR will demand a level of physical separation. But even if that requires a physically separated shared services delivery platform, they nevertheless can share the same type of infrastructure and the same service delivery schemes, e.g., software configuration.

A last comment goes to the ownership of the service delivery platform. The authors have observed that shared services centers benefit from “owning” their shared services delivery platform by having the ability to continuously monitor the patterns of constituent behavior across several lines of service and to be able to respond with the ability to provide new self-services, putting additional information into the hands of the employee or manager. It is obvious that such flexibility is only possible if the shared services center has control or access to its own platform – the service delivery platform. The opposite is true if the shared services center is forced to deliver service on a given system landscape on which it has no or limited influence.

## From Theory to Practice: Mapping Concepts to Available HR Solutions

Let’s test the theory by example, matching a leading HR vendor’s (SAP) offering against the concepts outlined. Applying the same match against other vendor’s offerings follows the same principles.

SAP’s HR solution is designed for a scenario in which the HR department sees itself as a service provider to the employees and managers. The communication mechanisms (SAP Employee and Manager Self-Services and SAP Shared Service Framework HR) are designed to ensure that the employee gets serviced when needed and with minimum effort for both the employee and HR function. Automation in SAP HR solution does not seek to avoid communication – it supports the communication in many ways to make it efficient and avoid ambiguity. For example, employees can notify their company about the birth of a child via employee

self-service and – in case they have a question not addressed by the self-service – contact HR with a single click.

The HR business partner receiving the request will already have all relevant data for the specific employee in front of them when addressing the employee’s concern. The employee self-service interface leverages forms which are familiar and intuitive to the employee for tasks required only several times during the employee’s life cycle. The HR shared services center, on the other end of the service delivery chain, gets the support of processes and forms mechanisms to manage the employees’ contacts and communication in a cohesive way. Thus, they are able to provide quick answers (efficiency) and help in the context of all previous communication with the employee, without requiring redundant information from the employee (quality).

Other HR functions specifically benefitting from the combination of system-supported communication and automated execution described such as travel expense management, payroll, benefits and talent management functions (administrative aspects of recruiting, for example) are all supported by SAP solutions. Benefits is a multi-faceted function in which the shared service center can play an aggregator’s role both for a company’s health care and pension plan data that can be sent to external plan providers.

This multifunctional structure and multifaceted support to the internal client can help position the shared service center as the go-to organization for many business needs. The centers are able to provide both efficiency and service quality, without compromise to either.

## About the Authors



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