



White Paper
Boosting HR's Strategic Value via Shared
Services

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Benefits to HR from a Shared Services model

Exceptional customer care, focus on core HR activities and enterprise cost and process efficiencies are compelling reasons for a shared services model

Facilitates Inter-departmental collaboration (HR & others) and ERP (SAP/Oracle/Lawson) alignment for multi-tier handling

- ◆ Allows collection and analysis of standardized data across the organization
- ◆ Enables better decisions to be made based on better information while supporting ERP users
- ◆ Provides valuable metrics
- ◆ Enables one-stop shopping for employees; clear and known point of contact

Enables HR cost efficiencies

- ◆ Removes duplicate HR processes and brings them together in one organization
- ◆ Eliminates redundant labor and systems costs; aligns labor skills and costs with specific task types
- ◆ Enables organization to retain internal control of core functions while still maximizing cost efficiency

Improves and streamlines HR operations

- ◆ Raises service levels by standardizing processes to achieve desired results
- ◆ Focuses efforts of shared services staff on providing cost-effective, high-quality service
- ◆ Improves qualitative customer satisfaction and quantitative service measures
- ◆ Encourages HR productivity due to enhanced focus on core functions and enables self service

Overview

From its inception in the private sector over twenty years ago, the shared services model has emerged as the model of choice for businesses interested in economies of scale. Today, over 70% of the Fortune 500 use some form of shared services, with top performing companies seeing cost savings ranging from 20% - 40%. An increasing number of public sector organizations and governments are involved with exploring the potential financial and social benefits from a shared services delivery model. When planned and executed properly, shared services initiatives can boost the strategic value of Human Resource (HR) departments in public sector and government organizations and transition them from a transactional (tactical) role into a strategic (transformational) one.

Today, a growing number of governments at all levels are pursuing a shared services delivery model for both financial benefit and social value. A 2006 Economist Intelligence Unit research report highlights the trend among public sector organizations:

- 70% of the respondents polled stated that they use, or intend to use, shared services as a strategy to enhance citizen service and increase efficiency.
- 54% indicated that they use a shared services model now, while 16% expect to introduce shared services within the next three years.
- Up to 67% of respondents believe that IT processes would benefit most from shared services. This finding highlights the fact that government transformation can be best enabled by technology.
- 75% stated that a shared services model would make its deepest impact on business process improvement.

Using a shared services model to boost HR's value throughout the organization

A shared services approach focusing on HR involves the coalescence of common business functions into a semi-autonomous business unit. It should be noted that shared services is far more than simple consolidation and centralization of similar functions in one location and offers business benefits to public sector organizations that include centralization, technology and business process improvements and enhanced customer service skills, while monitoring relevant metrics. With governance and management geared towards providing similar services to different units in an organization, a shared services model can promote efficiency, improve customer service and satisfaction and achieve substantive cost savings. Managed effectively, a shared services model can mean running relevant service activities as a business and delivering services to internal customers at a cost, quality and timeliness competitive with alternatives.

Specific benefits from Shared Services

- Reduced costs of customer service and support services
- Better efficiency and quality of support services
- Improved business unit performance and technology alignment
- Enhanced preparation for ERP implementation support (including SAP/Oracle- PeopleSoft / Lawson & other top ERP offerings)
- Better Go-live planning & execution, including planning for future phases of implementation and Post-Production-Support
- Business case validation of a shared services model including a pro/con comparison with other options (outsourcing etc.) and analysis of potential hard and soft dollar savings
- Better scoping and phasing/sequencing (What first) of pertinent projects and related functions (HR, Payroll, Finance, Procurement etc.)
- Improved facilitation of organizational readiness and change management

Business Challenge

Large public sector client was assessing the viability of a shared services model in line with an enterprise HR implementation. A compelling business case for Shared services had to be prepared with internal business resources in a very short (less than 30 days) time-frame while building consensus for shared Services throughout the enterprise. Once a shared services model was approved, it had to be rolled out rapidly through planning and phased execution within a compressed 6-month time-frame across a complex, political multi-agency state environment as part of a multi-phase SAP Human Capital Management (HCM) Go-live effort.

Solution

Our client's intent was to use a shared services model to lower costs and improve service quality while meeting rising expectations. In addition, a significantly increased future call volume was anticipated by the shared services service desk due to the SAP HCM and portal roll-out. Additionally, the shared services project was closely aligned with an ongoing large-scale HCM SAP implementation. This complex situation involved assessing the viability of a shared services model, building consensus for the effort throughout the organization, getting buy-in/executive sponsorship and doing a pilot implementation that could be extended to other agencies and departments.

Actions

- ▶ The existing business processes and IT framework (Service Support and Service Delivery) were reviewed and recalibrated in moving to a shared services model aligned with the continuing SAP Go-live efforts. Simultaneously, we collaborated with service desk and related program management colleagues in assembling and proposing a phased HR shared

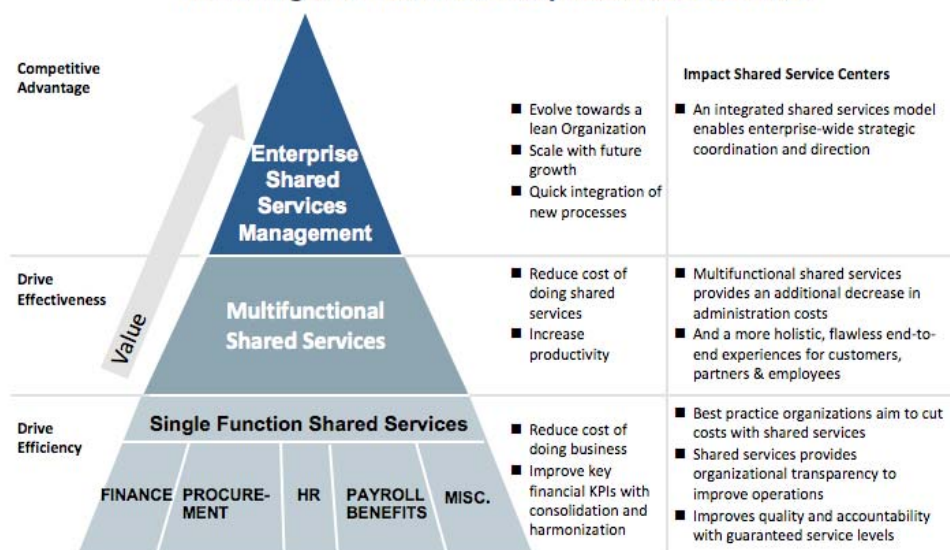
services (Business Case) approach associated with continuing and future business needs. This involved creating a compelling business case for moving to a shared services model that was complementary to SAP Go-live and other related high-importance projects.

➤ The organization had an ITIL framework in place but hadn't really utilized the potential benefits that could be achieved as Service Support and Service Delivery were operating as 'silos.' Based on previous related experience, we realized that it was crucial to bridge these two silos by preventing problems from occurring in the first place and anticipating solutions to expected issues. And when problems did occur, utilizing rapid response, routing and resolution best practices to enable as much self-service as possible.

➤ We helped the client conduct an accelerated analysis of the current state as well as a future (shared services) state that took into account relevant challenges and prepared for them.

How Shared Services Value is created

From single-function to enterprise shared services



Results

- Developed, validated and gained funding for shared services business case in 55 days
- Reduced overhead costs by 18% in 1st year
- Improved First Call Resolution from 22% to 54%
- Improved key support staff productivity metrics by 20%+
- Planned and implemented the HCM shared services project on budget and ahead of time
- Facilitated change management efforts to align with overall SAP implementation and organizational reengineering efforts
- Conducted numerous organizational readiness workshops and built consensus for project across the company

Customer Quote

"We had gone through several system integrators and were in need of someone who had hands on experience with understanding the many different challenges (SAP HCM, Shared Services, Process Improvement) facing our organization and to act as our internal adviser.

Imaad took on our organizational challenges as his own and helped our internal team ramp up through preparing a case for shared services in 5 weeks that got approved and then aligned that project with the SAP implementation. We averaged over 50% First Call Resolution and reduced overhead costs by 18% in the first year of operations. Imaad gave us more than our money's worth and we would be happy to engage him in the future."

Conclusion

In today's challenging economic times, HR professionals can encounter two formidable and apparently conflicting goals simultaneously: reducing costs in tight budgetary circumstances and improving service with decreasing resources. While these two goals can seem contradictory to each other, they could be accomplished by facilitating HR's transition from focusing on transactional issues to a focus on strategic issues that align more closely with organizational business challenges.

Prescient HR organizations have been exploring ways to boost their strategic value to the organization and be of even more value. A properly designed and executed Shared Services model can enable public sector HR organizations to consolidate and centralize pertinent functions and achieve process improvements while significantly enhancing customer service and support functions. This is especially true when organizations are engaged in enterprise level (ERP & Transformation type) business and technology improvement initiatives.

Although public sector HR organizations can achieve significant business advantages from a shared services approach they must cautiously decide which processes can benefit from that approach; for some processes such as human resources and procurement it makes sense, and for others it may not. Consequently, it is necessary to carefully evaluate each public sector organization and its unique needs independently, particularly in today's economically challenging landscape. By freeing HR from non-core administrative tasks, a shared services model can facilitate HR staff into becoming strategic partners to their organizations' business leaders.

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About the author:

Imaad Mahfooz is the Managing Principal of Chronos Consulting and has successfully managed enterprise public and private sector shared services, outsourcing, human capital management and global consulting projects.

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