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# Achieving “Lights-Out” Service Delivery in the HR Shared Service Center

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## Executive Overview

HR organizations are under constant pressure to contain and reduce costs while contributing to the bottom line. Most large organizations have responded to these challenges by implementing a shared services center for common HR processes. According to a 2012 survey by Aberdeen Group, 73% of organizations now have a full or partial HR shared services model in place<sup>1</sup>.

But not all shared service centers are equal, and while some are extremely sophisticated, many are not yet taking full advantage of the technological and cultural shifts that have occurred since the shared service center was established. Yet by harnessing the latest developments, shared service centers have an opportunity to shift much more service delivery to the self-service tier, simultaneously reducing costs and freeing up HR staff to work on strategic initiatives.

This white paper reviews the technological and demographic trends enabling shared service centers to make this shift, and outlines a vision of the kind of ultra-efficient 'lights-out' processing that should be the goal of every HR shared service center. It's designed to be an update and companion paper to the 2011 Oracle white paper *Is Your Current HR Service Delivery Model Working For You?*, which is an ideal start point for organizations taking the first steps to creating a shared service center for HR.

## The Rise of HR Shared Services

Over the past decade, HR shared service centers have become immensely popular mechanisms for streamlining and standardizing the delivery of HR administrative functions. Aberdeen Group found in 2012 that 73% of the organizations it surveyed now have a full or partial HR shared service center in place<sup>2</sup>, and very little controversy remains over the viability of the shared service model. This is particularly the case for larger organizations with operations in multiple geographic locations.

That said, the term ‘shared service center’ covers a lot of bases, and some are far more advanced than others. The aim of this paper is to identify ways in which HR leaders can improve the breadth and efficiency of the existing shared service function, with the ultimate goal of creating a predominantly ‘lights-out’ operation that frees HR staff to focus on truly value-add work.

## What is a Shared Service Center?

Aberdeen Group defines a “fully rolled out” HR shared service center simply as “a centralized HR function with defined, tiered inquiry/escalation processes – regardless of the maturity of the technology adoption – that delivers services to the entire organization.”<sup>3</sup>

While this is an extremely broad definition, two elements stand out. The first is that the shared service center offers a centralized service to the business. Even though the service may be delivered by regional hubs, perhaps through an offshore model, it will be based upon a common set of processes and underlying technology platform. The second is that it offers services through a tiered inquiry and delivery model.

At its most basic level, a typical HR shared service center will usually comprise five key elements:

1. A multi-tiered structure for efficient resolution of inquiries
2. An employee portal with self-service functionality for administrative processes
3. A central knowledge base serving agents and employees alike
4. A multi-channel contact center-style helpdesk to handle phone and email inquiries
5. A case management approach to inquiries that can't be resolved through self-service

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<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

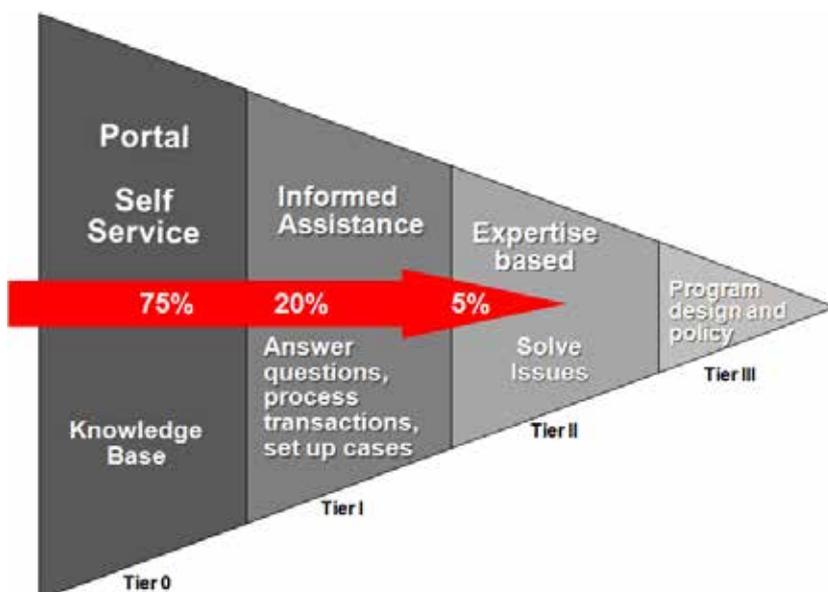


Figure 1: Multi-tiered HR Service Delivery Approach

While most shared service centers share this same basic model, their sophistication and maturity vary hugely from organization to organization. The least advanced remain confined to automating basic processes like payroll and benefits administration. Anything outside this remit is still handled in a manual, ad-hoc fashion by the organization's HR team.

At the opposite end of the scale, there are HR shared service centers that might be considered 'world-class'. Here, a wide range of services are delivered, on a predominantly self-service basis, to an employee population that includes not only current employees but also recruitment candidates, former employees, contingent workers and employees' families.

In a world-class HR shared service center, joined-up processes enable inquiries that can't be resolved in Tier 0 to be escalated seamlessly to human agents in Tiers 1 and 2, with interactive voice response (IVR) and automatic call distribution (ACD) to sort and prioritize calls, and an automated case management tool that pulls in relevant information and propels the inquiry through to resolution. A single knowledgebase underpins every tier, ensuring that responses to inquiries are consistent at every level. At Tier 3, HR specialists work on strategic issues, unburdened by the need to respond to incoming inquiries.

Despite the disparity in sophistication, most shared service centers are moving towards the 'world-class' model rather than standing still. The HR Shared Service Institute's 2013 study of HR shared service centers in 31 countries reveals a sharp increase in the scope and maturity of the model. In particular, it has seen a surge in the past year in the number of operations handling administrative processes surrounding recruitment and onboarding (see fig. 2)<sup>4</sup>. Aberdeen Group has a similar picture, finding that 70% of shared services organizations now handle recruitment administration in addition to the more traditional benefits and payroll administration (see fig. 3)<sup>5</sup>.

4 HR Shared Services Institute, 2013 HR Delivery Practices Report

5 Aberdeen Group, The Next Frontier of Shared Services, July 2012

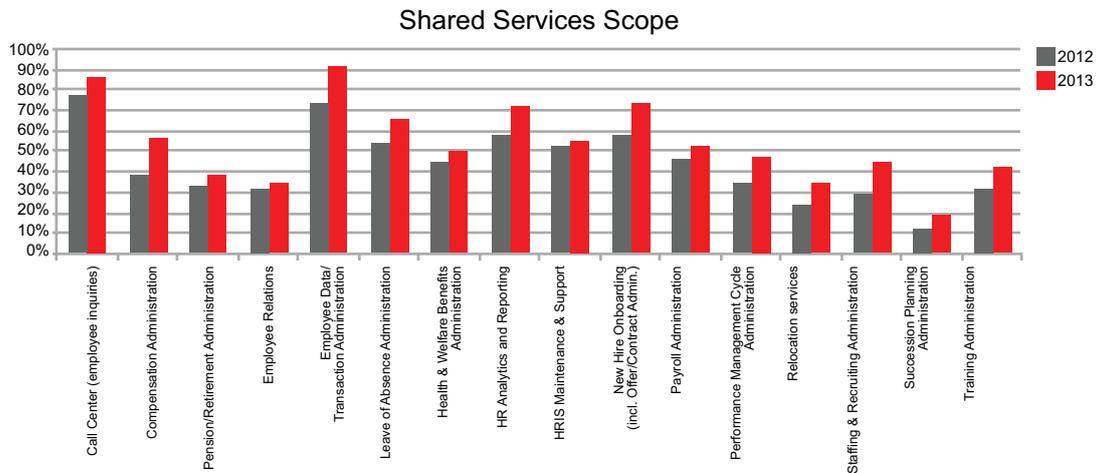


Figure 2: HR Shared Services Scope, HRSSI, 2013

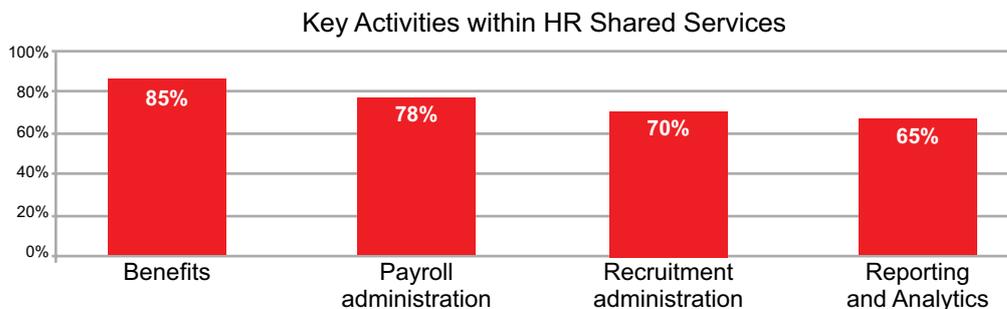


Figure 3. Key activities within HR Shared Services, Aberdeen Group, January 2012

This renewed vigor is partly down to the need to reduce operational costs during an economic downturn. By bringing new processes into the shared service center, and improving self-service delivery of existing processes, organizations have been able to drive down the cost of HR without compromising (in fact, often improving) the quality of service delivered to the workforce.

It's also indicative of the intense focus that organizations are currently placing on talent management. With 53% of Western European CEOs and CFOs saying that lack of talent risks financially damaging the business<sup>6</sup>, HR must step up its efforts to implement strategies including succession planning, talent identification, and employee development, retention and compensation initiatives.

That can't happen if HR executives have to stop what they're doing every few minutes to respond to basic inquiries, so one fundamental benefit of adding administrative processes surrounding activities like recruitment, learning, and performance management to the shared service center is that it frees up more time for HR specialists to focus on strategic initiatives.

6 Economist Intelligence Unit, CEO Perspectives: How HR can take on a bigger role in driving growth, 2012

## Three trends driving next-generation HR shared service centers

The resurgence of interest in shared service centers is also due to three broader trends. Firstly, the growing Generation Y and Generation Z contingent in the workplace means there's an increasing population of employees who prefer online self-service to any other method of finding information and carrying out transactions. Young people who have grown up with Facebook, eBay and Amazon are adept at seeking out information on their own, and will only make a phone call in the very last resort.

Secondly, the technologies available both for delivering and accessing shared services are rapidly advancing. On the delivery side, the advent of cloud computing means employee portals can be delivered online as a service, accessible from any web-connected device. At the same time, advances in contact center technologies have seen sophisticated new communications channels emerge, including live text chat, social network-style tools for internal collaboration, and push SMS.

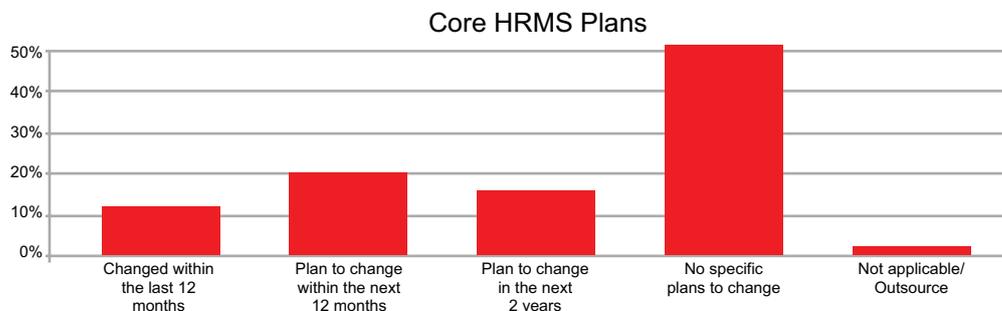


Figure. 4: The cloud effect: nearly half of all HR organizations are moving to a new core HRMS<sup>7</sup>

*"In [the past two years], the movement to software-as-a-service has gained such momentum that it is reasonable to speculate that this migration will occur even faster than the herd adoption of client-server ERP platforms ten to fifteen years ago."*

- HR Shared Services Institute, 2013 HR Delivery Practices Report

Meanwhile, the spread of smartphones and tablets means employees can access a self-service portal from anywhere; they don't have to be using a desktop PC on the corporate network. That's a huge advantage for employers such as retailers, manufacturers, transport firms and public sector organizations, where there are large contingents of workers who may not have ready access to a PC, but who may own devices that are capable of accessing the corporate network.

## The ultimate prize: lights-out operation

All of these developments have opened up a huge opportunity for HR organizations to resolve a much greater proportion of employee inquiries in Tier 0 – the self-service tier. World-class shared service centers have recognized this, and now have their eyes on the ultimate prize: a completely 'lights-out' operation in which every inquiry is dealt with through self-service, and HR teams can devote their time to Tier 3 activities: planning strategic initiatives and developing HR policy.

For that to happen, shared service centers need more than just great self-service portals and anytime, anywhere access from fixed and mobile devices. There also needs to be an overhaul of the technologies that feed into the shared service center, with a view to achieving the following:

**1. Full integration with HRMS systems and databases.** A lights-out shared service center will only work if the employee has full, self-service access to all of their own data, and to all of the information they need in order to complete their transaction or request. That means access to an accurate and up to date employee record (and the ability to update that record), as well as access to a rich and continually-updated knowledgebase for self-service resolution of inquiries.

**2. Fully automated processes.** For employees to be able to complete requests, applications and transactions via online self-service, there need to be fully joined-up processes linking all of the systems and databases involved in the transaction. For some organizations, that will require manual integration work between different systems: for example, between the self-service portal and the learning management system, if one of the goals is to provide self-service booking of training courses.

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*"HR Shared Services must aspire to be like the Amazon experience, where the data is used to help customers get what they want. In the past we've tended to focus on the functional areas like payroll and recruitment, without really thinking about what the process feels like to the customer. If we're going to achieve truly lights-out processing, we need to get a lot better at generating true, meaningful data that we can act on appropriately to give customers the service they need."*

- Gary Booth, Board Director, Shared Services Forum UK

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**3. Employee experience.** If employees and managers are going to complete the vast majority of requests and transactions in Tier 0, the interfaces to the relevant HR systems must be easy and enjoyable to use and navigate. One of the advantages of the latest, cloud-based HR systems – like Oracle Fusion HCM Cloud – is that they've been designed to provide a consumer-like experience, with fun, intuitive layouts, the ability to configure and personalize the interface, and social network-style tools for information-finding and collaboration.

**4. Advanced analytics.** A 'lights-out' operation will only work if it delivers an outstanding level of service. If employees and managers can't get what they want, easily and quickly, via self-service, they will revert to channels they know will get results – like calling up an HR specialist. That not only incurs higher costs of service delivery, but also pulls HR professionals back into administrative work and away from value-add activities. Analytics can pinpoint where self-service processes are failing, so HR teams can work to improve delivery in the self-service tier and ensure an increasing volume of inquiries are resolved in this channel.

In the past few years many HR shared service operations have adopted best practices from the contact center industry to measure performance against a set of key metrics (e.g. time to resolution, first-call resolution, abandonment of online processes, etc.). Tracking metrics like these on a real-time dashboard, supplemented with periodic reports, can highlight areas of under-performance that need to be addressed. Tracking the nature of inquiries to the SSC, meanwhile, provides insight into frequently-asked questions, which can then be added to the knowledgebase to increase levels of self-service.

If a 'lights-out' operation is a strategic goal, HR organizations will need to keep a close eye on online performance metrics to understand any areas where users are getting stuck, abandoning transactions, or are unable to find what they need. They will also need to take steps to address these areas swiftly, before employees fall out of love with the self-service option.

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*"Analytics give us insight into how much traffic goes through each of our channels, so we can minimize the volume of traffic going through the 'wrong' tiers, and improve service to the customer. For example, we recently saw a high volume of calls coming into the contact center (Tier 1) asking for help with a password reset capability. With analytics we can recognize issues like this straightaway and take steps to promote the capability better in Tier 0."*

- Ioannis Boutaris, HR Service Development Manager, The Co-operative Group

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For some, achieving a lights-out shared service center, with HR staff freed up to work on value-adding activities, may seem a distant goal. However, the HR Shared Service Institute believes it's something that will happen very quickly, now that the technologies are available to make it a real prospect. According to its 2013 HR Delivery Practices Report:

*"As consumer-grade HRMS interfaces succeed in making manager and employee self-service main-line service channels, the structure of shared services, especially Tier I, will inevitably change to focus less on doing and more on helping their customers think and do for themselves. Given the rate at which organizations appear to be embarking on this course, this transition could occur at a very fast pace. The change will be fun and interesting to watch."*

## Conclusion

As HR shared service centers mature, most organizations have already deployed the key building blocks of a tiered service delivery model: an employee HR portal, self-service, automated case management, an HR knowledge base, and an employee communications tool. Today, the most advanced HR shared service centers are expanding the remit of the shared service center to offer more services, and handling higher percentages of inquiries in the self-service tier.

Now, new cloud-based HR and self-service technologies are emerging that will help other organizations to catch up rapidly with the leaders. Those that reap the benefit of these new technologies to serve a tech-savvy employee population will be ideally placed to achieve a truly 'lights-out', self-service operation in the shared service center, leaving HR functions free to focus on strategic initiatives that will help the organization to achieve its business objectives. With the latest technologies and demographic trends creating an ideal environment for 'lights-out' self-service, that shift may happen very fast.



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Author: Oracle Marketing

Oracle Corporation  
World Headquarters  
500 Oracle Parkway  
Redwood Shores, CA 94065  
U.S.A.

Find your local Oracle contact number here:  
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