



Shared Service Centre Changes in characteristics in comparison with the last decade

- Vijai Kumar Balachandra

Abstract

The advent of new developments in technology, workplace designs and the compensation has led to the new possibilities as well as altered the characteristic of Shared Service Centre when compared to a decade ago.



Inside the HR SSC of Tomorrow

The design of the HR SSC dates back to the days of the factory and office construct of the workplace – a physical location where people, hired for a standard set of skills and attributes provided them for a defined period of time at a physical location distant from their homes. With the advent of global markets, boundary less organizations, seamless communication and global workforces, the role and relevance of HR SSC is due a change and redefinition as well. The scenario of a HR team of a compressor manufacturer in Denmark on-boarding a contractor for its subsidiary in China in the same way that it would on-board an office worker in Copenhagen is an anachronism for this age.

Over the last 10 years, HR organizations have moved to the Ulrich model – Facing the employees and business units are the HR business partners, HR CoEs enhancing their effectiveness and HR SSCs enhancing their efficiency. With the business competing on Talent, HR is being asked to demonstrate its contribution in improving employee productivity and the value they add to the enterprise. HR SSCs are therefore being asked to demonstrate world-class performance in objective metrics like cost of service and employee satisfaction as well as alignment to support metrics like employee engagement.

In the external market, new developments in technology (advent of SaaS and upgrades to HRMS, secure connectivity and collaboration, business process optimization), workplace design (work from home, work on the move, virtual project teams), compensation (reward for creation and influence on output as opposed to input) have opened new possibilities as well as asked fundamental questions of the SSC. What characteristics of the SSC do we see changing right away?

a) STRUCTURE

Traditional SSCs are designed to provide easy access to answer everyday questions, using a well-informed helpdesk. With organizations becoming more democratic, virtual and diverse and technology becoming more employee-friendly, employees often find it is more easy and pleasant to get the answers and daily transactions done at their own convenience, through self-service. Formal helpdesk channels like telephone and e-mail are being supplemented by always-on, informal channels like social media. More complex queries are starting to arrive at HR helpdesks that are swamped with basic queries and are not able to offer a differentiated service to complex queries. Queries that need cross-functional interaction (e.g. A factory worker wishing to move a portion of his salary into an employee benefits contribution scheme after he has transferred to a new unit within his company) take unreasonably high cycle times drawing demands for “single point of contact and resolution”. SSCs are also being asked to expand and contract in size, for corporate events like M&A as well as annual business events like medical benefits or 401k plan enrolment.

b) SERVICE LEVELS

Traditional service levels for transactions have been of the order of 5-7 days and actual compliance levels have

anecdotally been in the 70-80% range. With developments in customer service in the external world, employee expectations have risen every year and world-class performance now stands at 3 days service level with 95%+ compliance. Incentives for meeting service levels have also increased, with strong linkages to SSC staff bonuses and capital expenditure grants. Business process management capability (rules-based workflow, continuous improvement, process definition and activity-level measurement) is helping identify, assess and improve process performance.

c) TECHNOLOGY

Service elements required for SSC operations such as contact centre technology, telecom connectivity, data centre infrastructure and applications are often capex intensive. To secure better unit prices, companies often buy these elements in bulk and provide the same high quality of IT that they provide their R&D teams to their SSC as well, expecting the same technology ROI. The most advanced SSCs are experimenting with cloud-based managed voice, shared and configurable contact centre technology, managed datacentre, SaaS-based applications sourced from 3rd parties. This provides scale economies as well as speed of deployment resulting in high technology ROI and flex capacity.

#	Metric	DSM	World Class	Infosys*
1	Accuracy of BSC HR transactions			
	Benefits administration	NA	99.50%	99.50%
	Hire/Re-Hire record setup	NA	99.50%	99.74%
	Compensation administration	NA	99.50%	99.82%
	Work force administration	NA	99.50%	99.79%
2	Payroll processing	NA	99.95%	99.84%
	Timeliness of BSC HR transactions			
	Benefits administration	77%	99.95%	NA
	Hire/Re-Hire record setup	47%	99.50%	100%
	Compensation administration	64%	99.50%	100%
3	Work force administration	68%	99.50%	100%
	Payroll processing	100%	100%	100%
	Payroll case management	100%	NA	100%
	Paperless payment distribution rate			
	Paperless payment (direct deposits)	100%	80% - 85%	100%
4	ePay slip distribution	0%	60% - 65%	100%
	% of payroll queries resolved on initial contact	NA	93%	72%
5	Solicit feedback via CSAT survey for all calls/email responded	No - Yearly	Yes	Yes
6	%age of overpayments that fall under the below categories			
	Termination paperwork received after payroll cut off	89%	58%	32%
	Leave of Absence record updated after actual leave taken	10%	26%	68%
	Incorrect pay rate updated	1%	18%	NA
	Incorrect regular hours/OT updated	NA	18%	NA
7	Non termination of auto payments	NA	18%	NA
	% of unplanned overtime at DSM	100%	6%	0.1%
8	Defined escalation process for payroll disputes due to time tracking issues	Yes	Yes	Yes
9	Employees are required to request overtime in advance	Yes	Yes	Yes
10	Managers are notified of potential overtime in advance	No	Yes	Yes
11	% of GL interface errors that fall under the top 2 categories:			
	GL code not set up (or incomplete set up)	100%	27%	73%
	Incorrect GL code set up	NA	13%	27%
12	# of pay frequencies	Monthly	Multiple	Monthly

* 100% effort delivered from Infosys India Delivery Centers

Source: Infosys BPO

d) COST OF HR SERVICES

In a typical SSC, the costs for labour, infrastructure, Technology and overhead (management) are in the ratio of 45:35:20. With labour costs tending to increase due to inflation, costs of care (retirement, health and welfare), there is pressure on the cost of services. SSC managers therefore have to look at elimination and optimization of all cost elements. External advances in technology such as teleworking, virtual networks have driven disposal and avoidance of facility and telecom assets as well as making costs variable.

e) FINANCIAL MANAGEMENT

Funding models for SSCs have historically been allocation based, with a lump sum operations cost being allocated to different units proportionally based on their headcounts.

Activity-based costing would probably reveal that business units that are large and in developed economies, carry strong influence internally, have standard service requirements are those that consume HR services the most. As a result, the adoption of SSC by smaller or “different” units may be low and this asymmetry sometimes affects the end-customer experience. Therefore, having a variable charge, usage-based model (Should-cost model for each country with price per transaction) provides a solid of foundation for chargeback. This bubbles up spare capacity in the SSC which can be “rented out” on demand. We believe it is this kind of discipline that can bring down cost per payslip from ~EUR 40 to ~EUR 16.

f) TALENT MANAGEMENT

Traditional intake into SSCs has been from line resources looking for mid-career changes into stable operations roles and this usually brought along goodwill and a strong understanding of the business units to the SSC. Developing this talent to meet future challenges will only solve part of the problem. As SSCs evolve to face more complex queries, employ more sophisticated service models and embody greater domain knowledge, acquisition of talent with the right skills and attributes will be key. Skilled HR practitioners, domain experts in provider HR SSCs, process management specialists will form some of the additional talent pools for SSCs.

g) USE OF BUSINESS PROCESS OUTSOURCING PROVIDERS

SSC heads and HR functions have traditionally tried to optimize the above levers on their own sourcing specific services from providers of technology, process optimization, facility management, even HR! In the process, HR SSC service offerings have become more well-defined and repeatable and the external market has also matured due to the high adoption rates of outsourced shared services in general. This presents an opportunity to out-task the overall management of certain transactional processes and free up SSC capacity to address future challenges. This also presents SSC management teams an opportunity to move from managing operations to managing services.

h) GLOBAL DELIVERY MODEL

As companies become more global, the HR SSCs need to move from home country and region-led operations into a more nimble and efficient model supporting global operations. The entire range of SSC elements (technology, process management, and facility management, labour) can now be sourced and delivered in a more efficient fashion through global delivery. Of these elements, the labour element (People) needs special attention as the needs and aspirations of SSC resources need to be catered to, so that there is an orderly transition to global delivery. Providing alternate career paths through re-skilling, people transfer or where required, fair redundancy and outplacement packages will help organizations manage this change.

Conclusion

The SSC model is set to change. The recent decades of evolution have moved HR services from a local experience to a more orderly service structure based on the Ulrich model. We are all set to see the next stage of evolution where technology enables stronger social bonds and collaboration between members in the organization. Perhaps this will again enable employees to “talk” to each other and solve problems on their own and know HR teams “personally” and provide the best of both world’s – A global personalized and cost-effective customer experience!

About the Author

Vijai Kumar Balachandra

Vijai is the Geo Business Manager for HR Services for Infosys BPO in the EMEA region. Vijai has over 10 years of experience in services outsourcing across software, IT Infrastructure and BPO. He has designed and optimized service models across order to cash and hire to retire processes through value stream analysis, risk-fit and technology tools. He is based in the Infosys Proximity Delivery Centre in London and works with HR and Finance executives in Infosys clients in Europe to build their shared services roadmap, re-design processes and systems. Vijai holds an MBA in Marketing and Finance from the Indian Institute of Management, Lucknow, and has a graduate degree in Electronics Engineering from the University of Bangalore. He is a certified PMP (Project Management Professional) and CIISA (information security auditor).

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