

# The Evolution of Shared Services and HR IT Architecture

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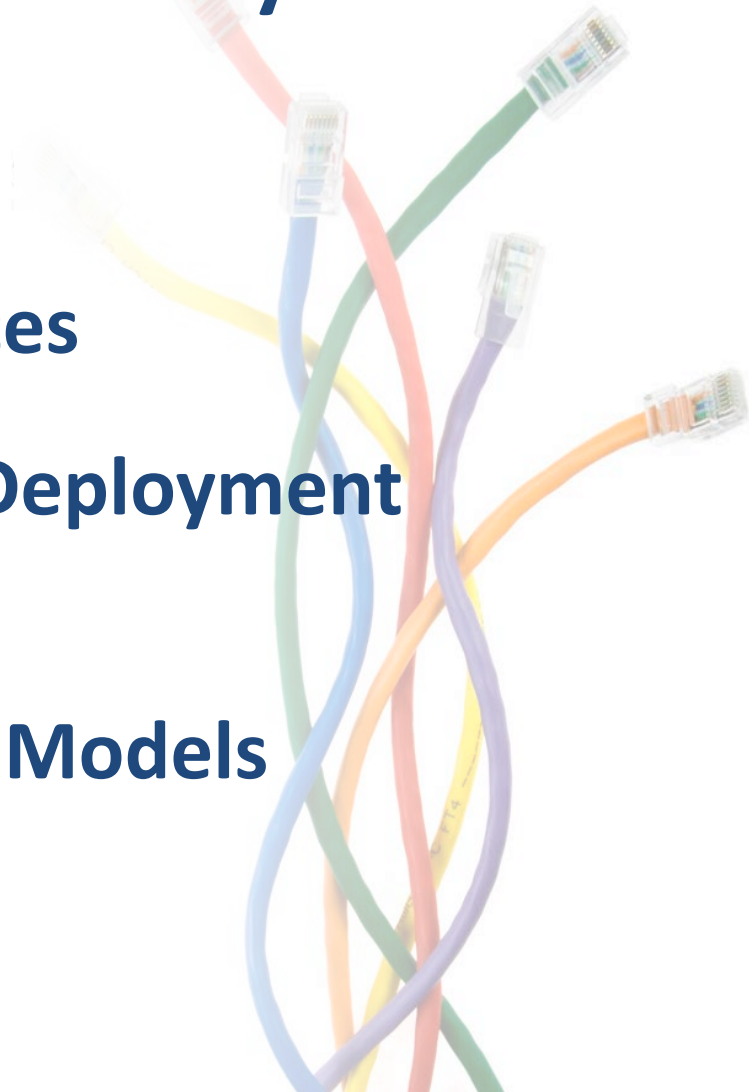


# What will we cover today

**Global Trends in Shared Services**

**Global Shares Service Centre Deployment Models**

**HCM Technology Architecture Models**





# Introduction

Lyle is a Lead consultant at Deloitte Consulting – Business Dynamics.

Business Dynamics focuses on the human component of organisations and offers services ranging from HR strategic planning and transformation to organisational design and strategic remuneration.

He has more than 12 years of experience in the Human Capital strategy, HR Systems design and implementation arena.

Lyle has worked with many of the major financial services organisations in South Africa. He has also worked extensively in the Energy and Utilities sector.





Technology **must**  
support business.  
Technology should  
**never** drive the  
organisational  
agenda.





# What will we cover today

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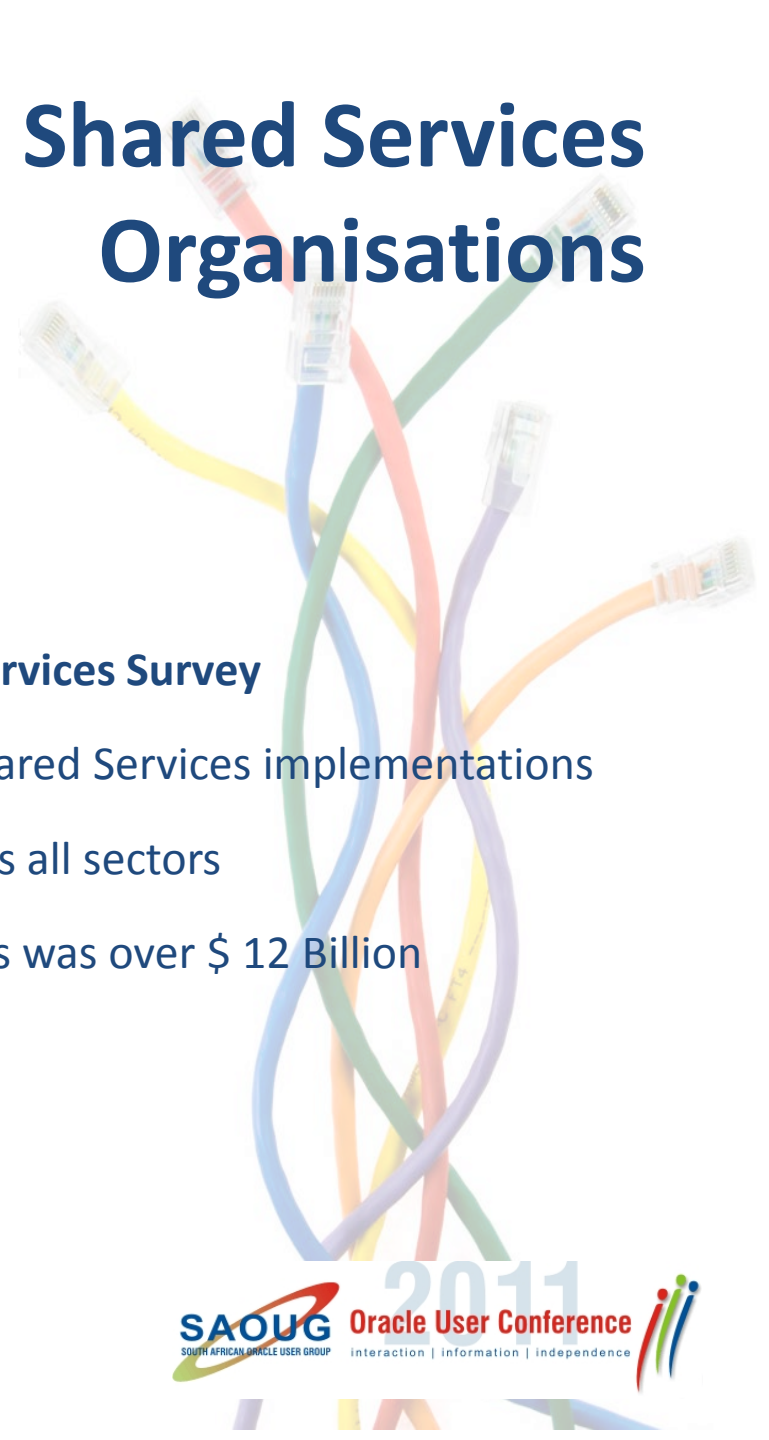
# Global Trends in Shared Services Organisations

Every two years Deloitte conduct a Global Shared Services Survey

The survey provides an insight into the realities of Shared Services implementations

The 2011 survey covered 270 key organisations across all sectors

The median revenue of the participating organisations was over \$ 12 Billion





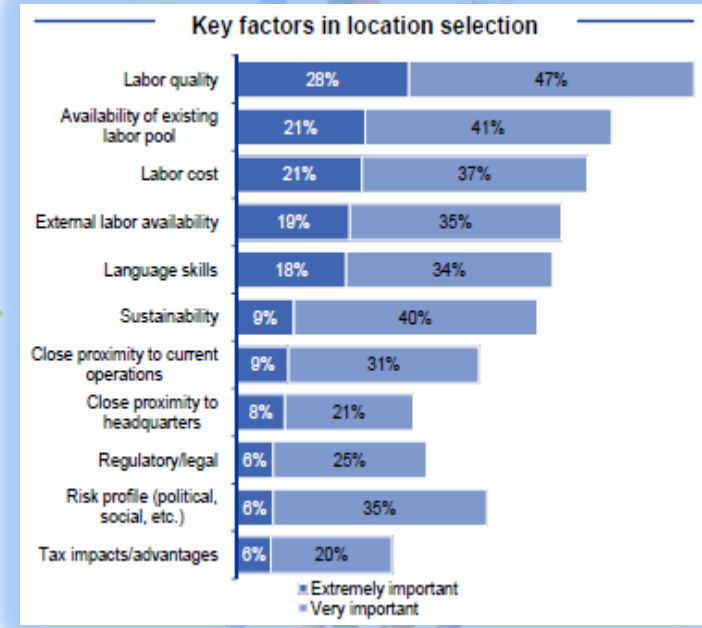
# Geography

Shared Services is more prevalent in 'middle market'



Organisations continue to migrate towards a 'Hub and Spoke' Model

Labour factors and the need to support growth are driving the number and location of centres



# Organisation

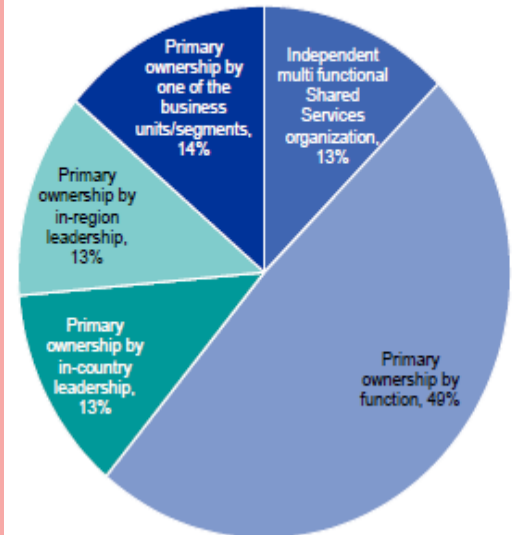
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As services and geographies supported increase, reporting relationships matures towards independence

Governance burden increases as global reach increases to maintain standardisation

There is no silver bullet for chargebacks, but calculations must be transparent

For organizations with single process areas in Shared Services, what is the predominant reporting relationship for SSCs?



# Scope

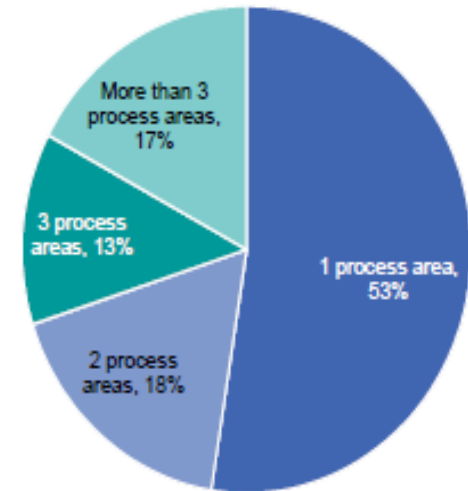
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Finance and HR are the most common processes moved into a SSC

Often organisations move processes into a SSC to stabilise the process prior to outsourcing completely

As traditional services (HR, Fin) have matured, non traditional services (SC, Marketing) are moving into SSC

What percentage of the SSCs are multifunctional?



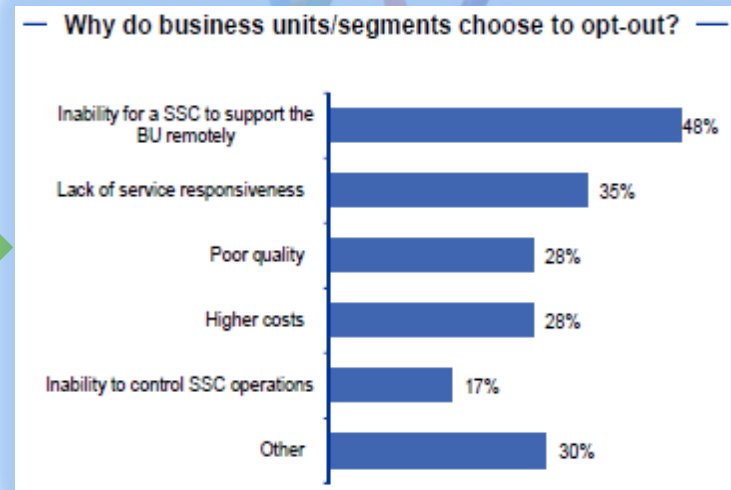


# Operation

Continuing focus on using new technologies and enhancements to improve and expand service



Most focus is given to enhancements that improve customer interaction

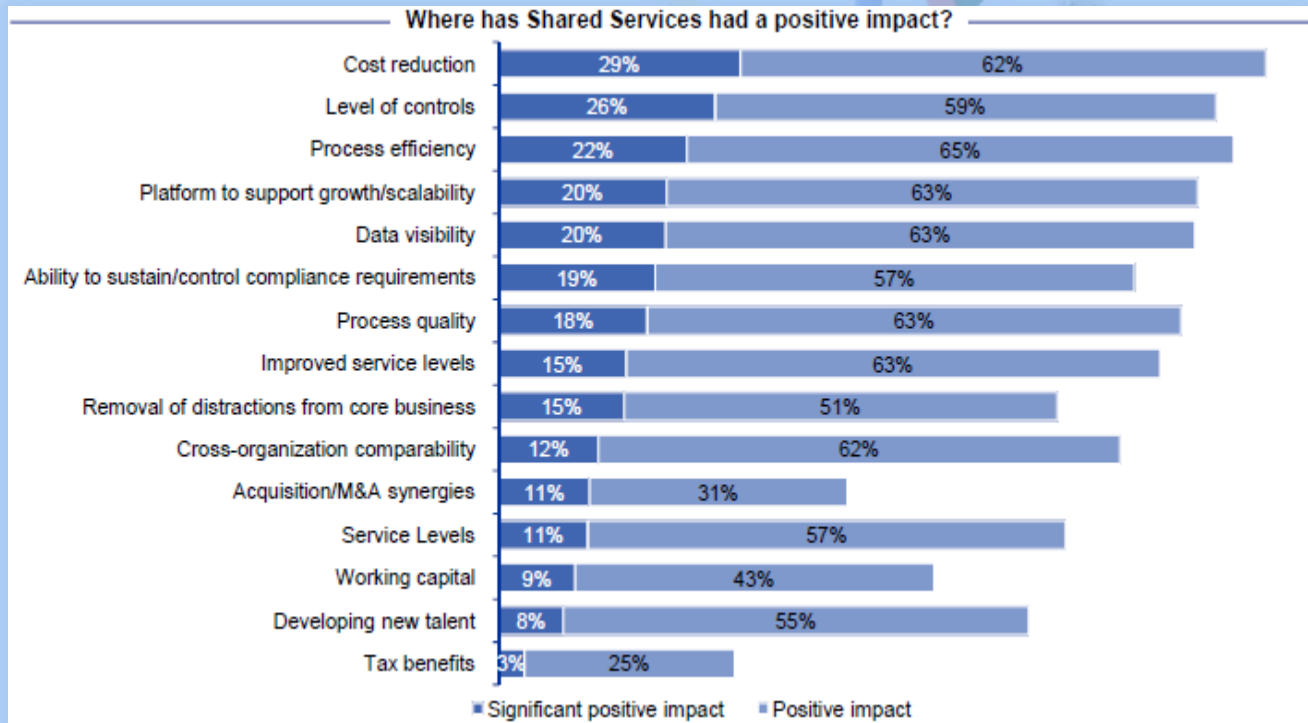


For organisations that allow an opt-in strategy, cost reduction and quality of service are critical

# Value

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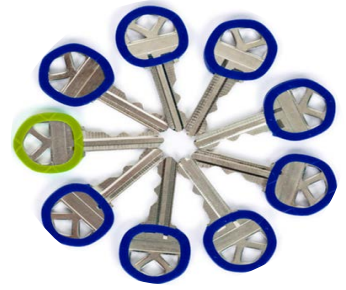
Cost reduction is a proven benefit of SSC, Other benefits are just as/more valuable, controls, data visibility etc.



Organisations continue to underestimate the complexity of SSC implementation, and do not learn from others



# What does this mean for technology



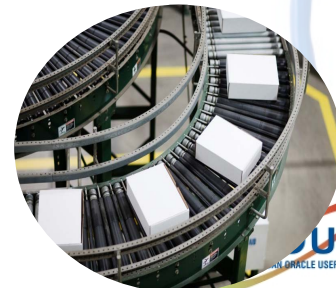
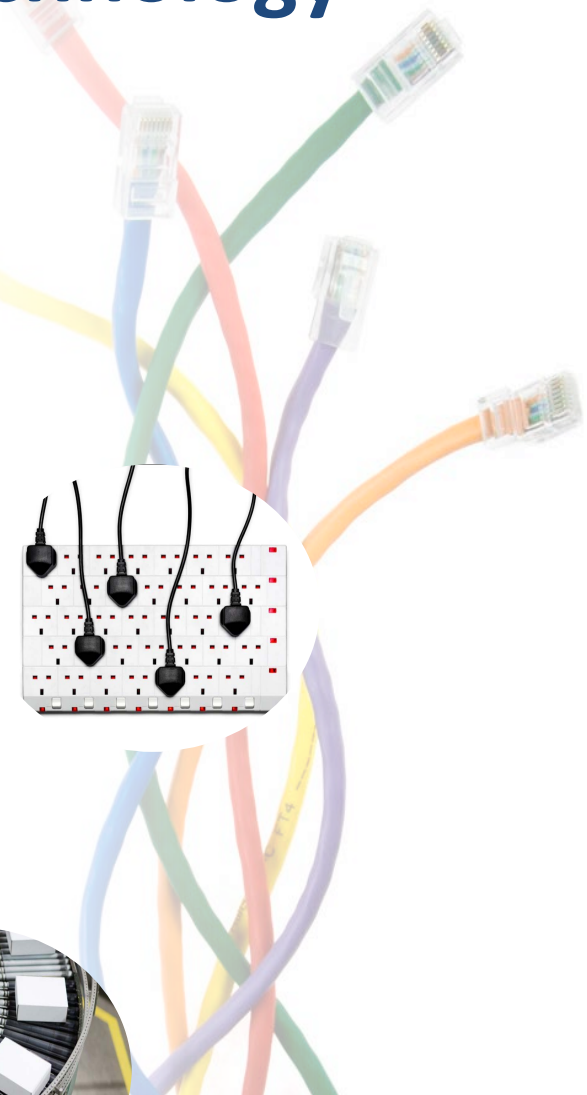
*“The[HR] operation requires efficiency through technology; strategic HR requires transformation through alignment and integration.”*

*- Dave Ulrich 2008*



**Technology must evolve with the needs of the organisation and enable its migration towards global shared services.**

**Technology must at all times mirror the needs and strategy of business**





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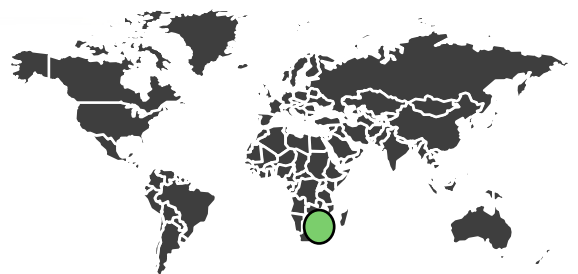
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# Global Shared Services Models

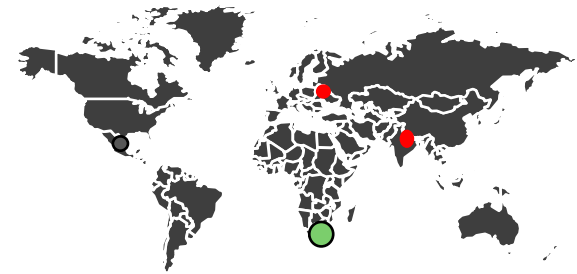
Typically organisations adopt one of four SSC models that include a “hub” concept for centralised support and regional “satellites” for region specific support

### Global Hub



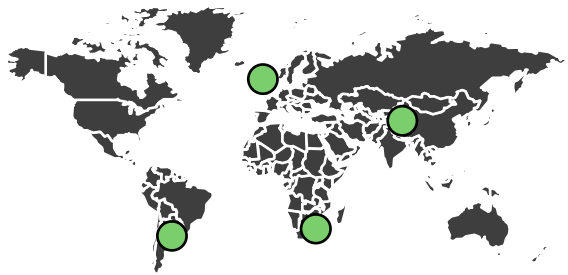
Single centre (“hub”) serves the global customer population providing standardised data management services and customer helpline support.

### Global Hub & Regional Satellites



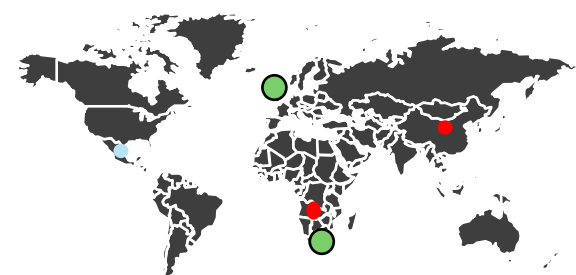
Primary centre (“hub”) provides standardised data management services. Regional centres (“satellites”) provide region specific support and helpline.

### Regional Hubs



Centres in various regions (“regional hubs”) serve the regions by providing regionally standardised data management services and helpline.

### Regional Hubs & Regional Satellites



Each hub serves a regional customer population providing regionally standardised data management services. Local centres serve smaller customer populations providing regional specific support and helpline.



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# Global Hub (Centralised)

Used by organisations that have highly concentrated employee groups, with **one corporate language**, that desire significant economies of scale, **manage centrally**, and desire a **highly uniform** customer experience with **limited local variation**.

## Characteristics of Model

- Globally standardised HR processes, data, policies, and programmes
- Global technology solutions utilized by all countries and regions
- Data entry and customer service delivered from one centrally located service centre



## Benefits of Adoption

- Globally standardised policies, processes, and programmes allow for consistent service delivery throughout the entire organisation
- centralised data entry promotes consistent usage of data fields
- All employees have one common access point for information and issue resolution
- Greatest economies of scale provide highest cost effectiveness
- Metrics, reports, and dashboards require minimal human interaction due to standardised and consistent data

## Common Challenges

- Service centre must be staffed in shifts due to increased hours of operations to accommodate employees across the world
- Training required for service centre representatives to understand language and cultural differences among employees in other regions
- Trade off between customisations for local needs and global economies of scale
- Customer Service is far from clients – low or zero face-to-face contacts with clients
- Huge reliance on technology platforms and self-service



# Global Hub & Regional Satellites

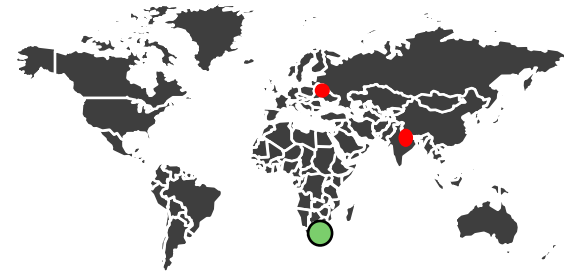
The recommended model is pursued by organisations that have a broad geographic footprint, use **multiple corporate languages**, **manage centrally** and desire a uniform customer experience that **accommodates local variation**.

## Characteristics of Model

- Globally standardised HR processes, data, policies, and programmes
- Global technology solutions utilized by all countries and regions
- Data entry delivered from one centrally located service centre
- Customer service delivered from regional service centres located within each region

## Benefits of Adoption

- Globally standardised policies, processes, and programmes allow for consistent service delivery throughout the entire organisation
- Centralised data entry promotes consistent usage of data fields
- Employees have one common access point within their region for information and issue resolution
- Regional economies of scale provide cost effectiveness
- Metrics, reports, and dashboards require minimal human interaction due to standardised and consistent data
- Service centres' hours of operations occur during normal working hours and understand local language and culture



## Common Challenges

- Increased level of training required for service centre representatives to understand language and cultural differences among employees in other countries within their region
- Greater governance required to ensure consistency between the regional service centres
- Trade off between customisations for local needs and regional/global economies of scale





# Regional Hubs

This model tends to be pursued by organisations that have a **broad geographic** footprint of employees, use **multiple corporate languages**, manage centrally and desire a **uniform customer experience** that **accommodates local variation**.

## Characteristics of Model

- Regionally standardised HR processes, data, policies, and programmes
- Technology solutions developed and maintained regionally and utilized by all functions
- Data entry and customer service delivered regionally from service centres located within each region.



## Benefits of Adoption

- Employees have one common access point within their regions for information and issue resolution
- Regional economies of scale provide cost effectiveness
- Service centres' hours of operations occur during normal working hours and understand local language and culture
- Increased ability to adopt regional and local technology and process customisations
- There are language benefits due localised shared services centres

## Common Challenges

- Regionally standardised policies, processes, programmes, and data entry can create inconsistency between the regions
- Metrics, reports, and dashboards require human interaction due to non-standardised and inconsistent data among the regions
- Training required for service centre representatives to understand language and cultural differences among employees in other countries within their region
- Greater governance required to ensure consistency between the regional service centres
- Trade off between customisations for local needs and global economies of scale



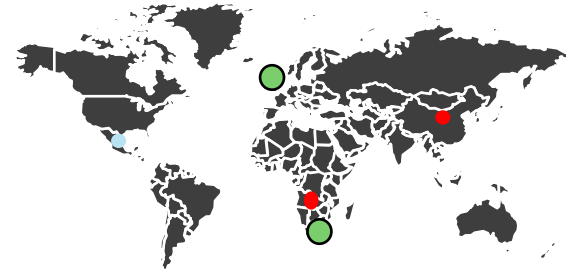


# Regional Hubs and satellites

This model tends to be pursued by organisations that have a **broad geographic** footprint of employees, use **multiple languages**, **manage in a decentralised** mode and prefer a **tailored customer experience**.

## Characteristics of Model

- Regionally standardised HR processes, data, policies, and programmes
- Technology solutions developed and maintained regionally and utilized by all functions
- Data entry delivered regionally from service centres located within each region
- Customer service delivered locally from service centres located within each country



## Benefits of Adoption

- Employees have one common access point within their region for information and issue resolution
- Service centres' hours of operations occur during normal working hours
- Service centre representatives understand employees' language and culture
- Easily customized based on local requirements

## Common Challenges

- Limited cost effectiveness due to a lack of economies of scale
- Regionally standardised policies, processes, programmes, and data entry can create inconsistency between the regions
- Metrics, reports, and dashboards require human interaction due to non-standardised and inconsistent data among the regions
- Greater governance required to ensure consistency between the country service centres



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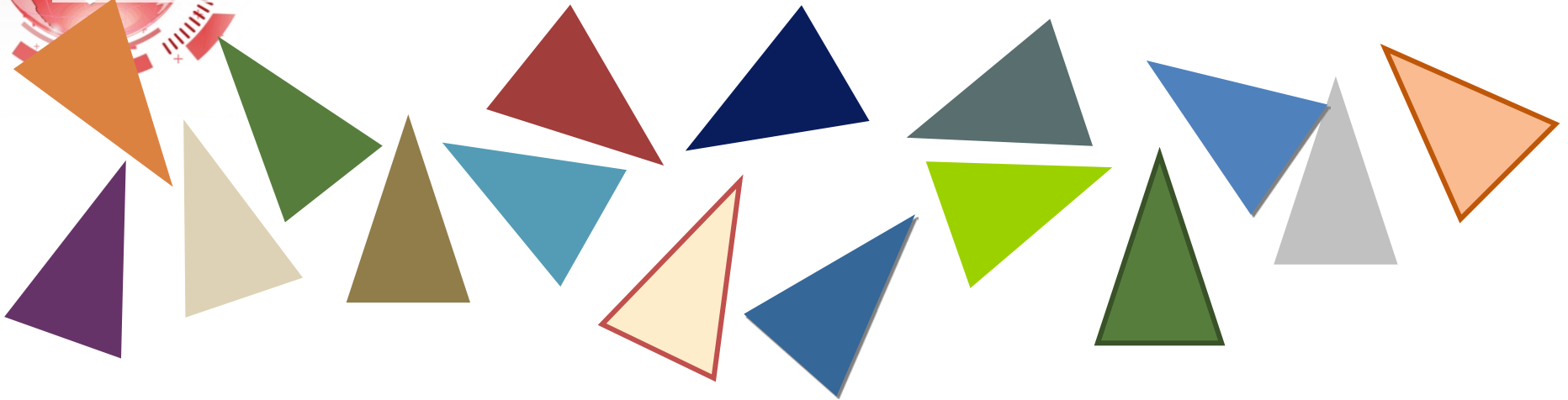




# In order to support the SSC model

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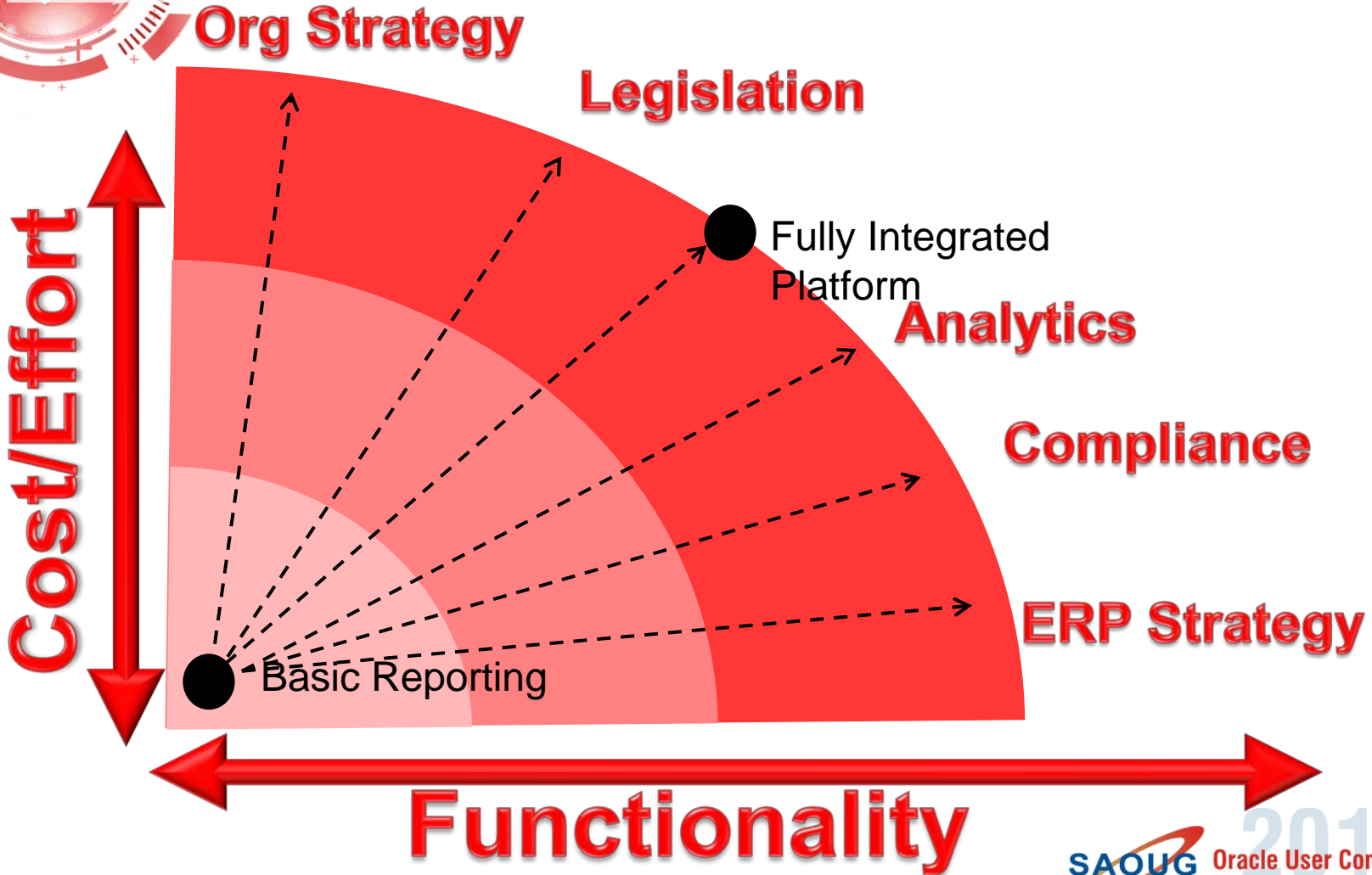


To this



# Enabling Technology Architectures

In order to support a global SSC, the underlying HR technologies typically fall along a architectural continuum.



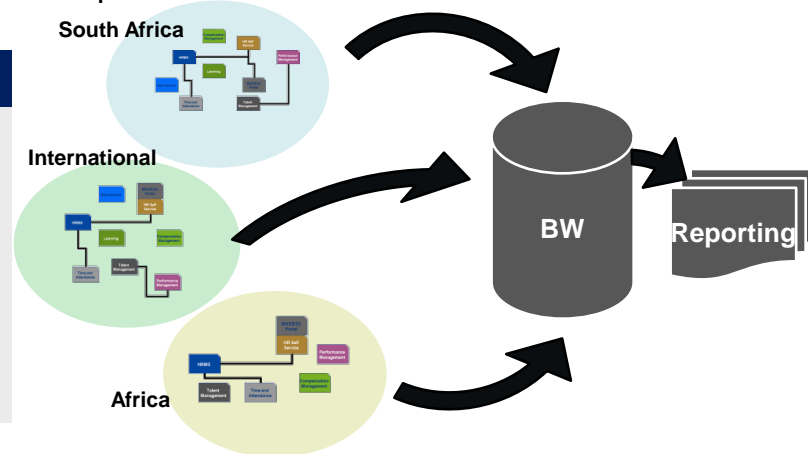


# Single Data Repository

This model offers the path of least resistance in terms of effort and cost to implement. All existing systems integrate with a central group data warehouse to which all data is written and all from which all reports are drawn.

## Characteristics of Model

- Existing solutions remain active.
- A single Data warehouse is implemented, with automated data feeds from individual systems.
- All reporting and analytics are carried out from the data warehouse to ensure consistency of information



## Benefits of Adoption

- Relatively low effort to put in place.
- Low cost to implement and maintain as only existing technologies are implemented (except for possible purchase of BI stack).
- Provides a single source of group wide consolidated information

## Disadvantages

- Information can become redundant as the BW is not the system of record.
- Compliance and data integrity can be difficult to enforce.
- Does not build a platform for a future HRMS, and merely defers pain of data and process harmonisation.
- Data Definitions may not be consistent leading to less reliable reporting
- Cannot track and monitor workflow
- Very difficult to enforce process adherence
- High cost of maintaining multiple complex interfaces

# Base ERP & Country specific 3<sup>rd</sup> party systems

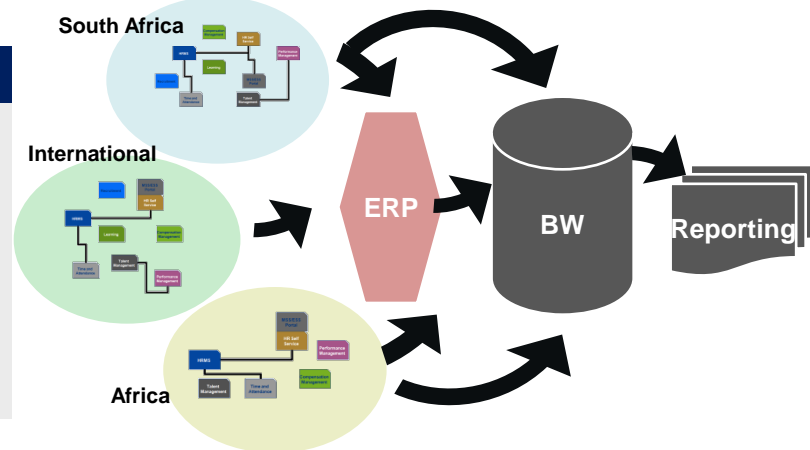
This solution defines a group wide base ERP solution that all regions are required to use. All existing solutions that offer functionality outside of this scope are integrated to the HR solution as required.

## Characteristics of Model

- There is a single global HRMS ERP implementation with a set of universal modules that are used organisation wide.
- Typically the modules to be implemented would be HR Administration, Org management and Payroll
- All other local systems remain and are integrated to the ERP .

## Benefits of Adoption

- Core HR processes can be managed via the ERP ensuring that process adherence can be enforced and measured.
- Outsourced systems leverage local knowledge and expertise, reducing the overhead on the organisation.
- Builds the foundation for any possible future HRMS expansion.
- Reduces data redundancy and validity concerns.
- Fewer technical interfaces to manage and maintain.



## Disadvantages

- There will still be redundant data and data compliance issues for those applications that remain in country.
- Unable to automate or standardise processes that are supported by multiple underlying systems
- Systems interface design and testing is unique to each application leading to separate developments for each integration point
- The cost of rolling out and maintaining even limited ERP functionality to smaller countries may be very high



# Group ERP & 3rd party systems

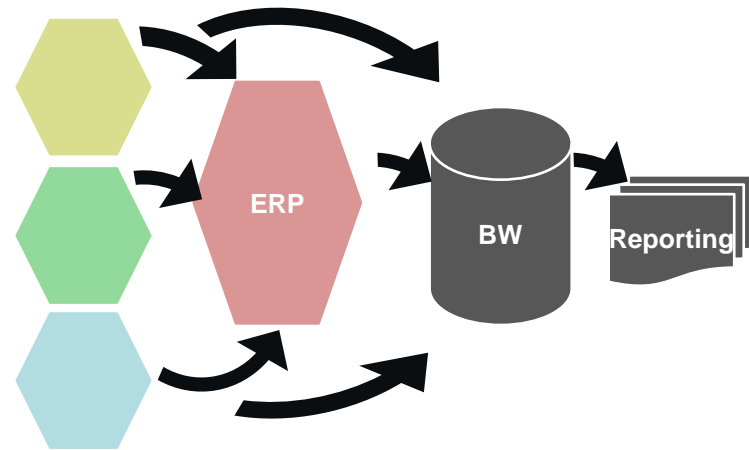
This solution indicates that a ERP solution is put in place, and where the functionality of the ERP falls short of business needs suitable 3<sup>rd</sup> party solutions are identified and implemented.

## Characteristics of Model III

- There is a single global HRMS ERP implementation with a set of universal modules.
- Typically the modules to be implemented would be HR Administration Org management and Payroll .
- Where required auxiliary 3<sup>rd</sup> party solutions are implemented, these are group wide solutions, tight governance is required around the selection of these solutions

## Benefits of Adoption

- Company wide process management becomes a real possibility, enforcing process standards across the enterprise .
- Economies of scale in terms of enterprise licenses can drive significant cost savings.
- Builds the foundation for any possible future HRMS expansion.
- Reduces data redundancy and validity concerns.
- Fewer technical interfaces to manage and maintain.



## Disadvantages

- There will still be a need to maintain multiple vendor relationships.
- Difficulty in automating processes that span multiple underlying systems, unless additional integration technology components are introduced to the landscape (SOA etc.)
- If no integration technology is put in place, systems interface design and testing is unique to each application leading to separate developments for each integration point
- The cost of rolling out and maintaining group wide systems to smaller countries may be very high

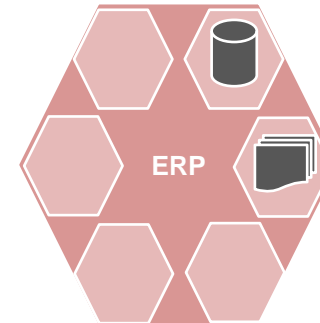


# Group ERP

This approach makes exclusive use of the ERP to service all HR processes, no 3<sup>rd</sup> party application integration is accepted.

## Characteristics of Model IV

- The group ERP solution is the only enabling technology used to support HR processes.
- No third party solutions are implemented and all existing systems are decommissioned.
- Local legislative requirements are catered for within the ERP.



## Benefits of Adoption

- Standard processes can be defined and enforced.
- Processes that span modules can be managed using the ERP workflow engine.
- Additional ERP functionality can be unlocked through having all processes contained within a single environment, get maximum value from the investment in the ERP.
- Richer data is available for analytical reporting and analysis.
- Cost savings can be realised by decommissioning of 3<sup>rd</sup> party systems and enterprise licensing there by increasing ROI

## Disadvantages

- Involves costly and complex implementation.
- Restricts the organisation to making use of a single vendor .
- The cost of rolling out and maintaining group wide systems to smaller countries may be prohibitive
- Requires in country tax and payroll expertise for each country .
- Supporting a global implementation requires a global support service.



It's **not easy** to build a Global HRMS. **Local operations** will likely **complain** about their **loss of autonomy**, and you'll probably uncover divergent policies and processes globally.

**Strong executive leadership** is critical to break through logjams in existing, inconsistent policies.



# Deloitte.