

Service Delivery Innovation at Ceridian

Case in Brief

Ceridian, a leading provider of human resource outsourcing, was competing in a growing market without a full understanding of the challenges its HR manager customers faced. Working with Strategyn and Strategyn's Outcome-Driven Innovation (ODI) methodology, the company was able to:

Discover opportunities for service delivery innovation by looking at customer needs from the perspective of the job the customer is trying to get done

Develop an innovative set of service delivery standards and tools that have helped establish it as the provider of "the best care in the industry"

Improve its Net Promoter scores from clients who have used its enhanced services by 27 percent

Client Challenge

A leading provider of outsourcing services, Ceridian provides its corporate clients with HR, payroll, and benefits administration services while serving as the first line of contact for client employees who have HR-related questions. For many of its clients, Ceridian becomes the company's HR department and has daily interaction with client employees.

Back in 2003, Ceridian had already been in the HR outsourcing market for a few years. Although strong operationally, Ceridian lacked the insight into customer needs that would enable it to create a distinctive brand identity for quality customer care. The market was experiencing rapid growth, and Ceridian executives realized that the company needed to create a unique competitive position built around innovations in service delivery. As Lance Reschke, vice president of Ceridian human resource outsourcing, explains, "We wanted an external view of what an innovation path would look like for this market. It was a relatively new market with a lot of new entrants, and we needed an understanding of how best to differentiate ourselves from our competitors."



How Strategyn Helped

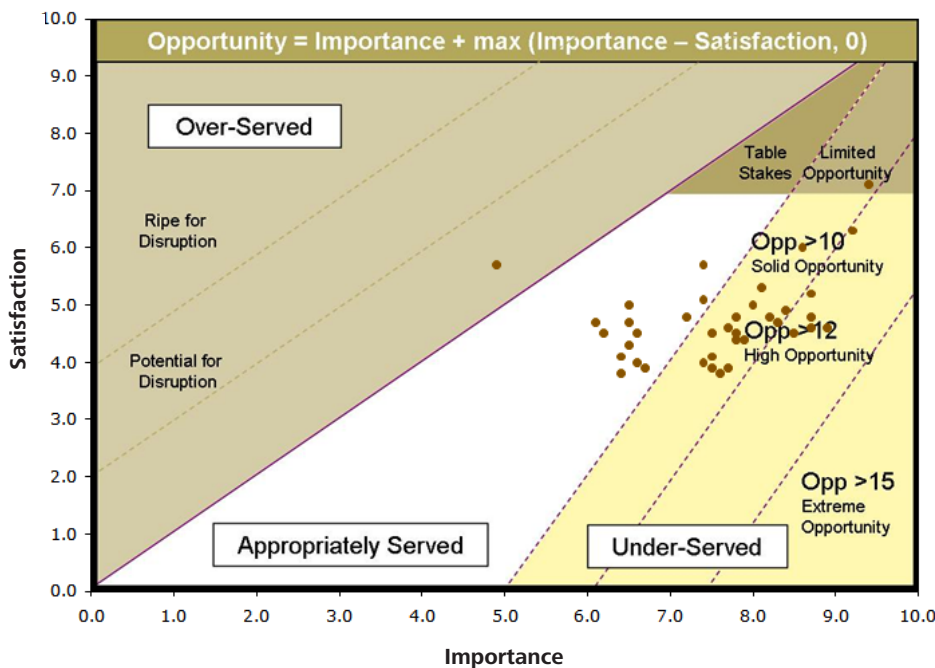
Ceridian relied on Strategyn’s ODI methodology to understand the needs of HR executives who outsourced human resources. To guide service delivery innovation, Ceridian relied on interviews with 30 executives responsible for at least three HR functions within their organization to map the job of outsourcing human resources.

The job map included steps such as understanding the impact of implementing HR outsourcing, defining service needs with the service provider, implementing a new service arrangement, supporting the outsourcing service, managing HR transactions, adapting to changes in company requirements, and supporting employee needs. From these same interviews, Ceridian uncovered nearly 40 outcomes used to measure success when outsourcing human resources.

“It’s not about driving the how. It’s really about the what—what is the customer trying to accomplish, and how can Ceridian best respond to the customer’s needs? This effort and Ceridian’s overall focus on the customer are opening doors for us to explore more options and ways to solve a problem than we would have discovered with a typical satisfaction survey.”

—Lance Reschke, Vice President of Human Resource Outsourcing, Ceridian

The Opportunity Landscape



The opportunity landscape revealed a number of areas in which HR executives felt underserved. Guided by this strategic insight, Ceridian introduced service delivery innovations that have helped establish it as the provider of “the best care in the industry.”

To learn more about the opportunity landscape, see Anthony W. Ulwick, *What Customers Want* (New York: McGraw-Hill, 2005).

Legend
● Outsourcing Outcomes

Next, 265 human resource professionals were asked to rate those outcomes for both importance and satisfaction. The resulting opportunity landscape revealed considerable opportunity for service delivery innovation: 24 of the HR outsourcing outcomes were underserved.

The opportunities for service delivery innovation that Ceridian uncovered fall into two broad categories. First, there were opportunities related to implementing a new outsourcing service. These included minimizing the likelihood that the vendor misunderstands customer requirements, minimizing the number of outsourcing implementation details that are not communicated to the client, and minimizing the difference between the estimated and actual implementation times. In evaluating these opportunities, Ceridian realized that the key to improving customer satisfaction was improving collection of customer requirements and communication during service implementation.

Second, there were opportunities related to utilizing the capabilities of the outsourcing service. These included minimizing the time it takes to transfer HR data to and from other systems and minimizing the amount of time that internal HR personnel must be involved in HR activities that have been outsourced to the vendor. Ceridian was surprised to learn that the movement and preparation of HR data were pain points for customers. “In our definition of products at that time, we didn’t view getting the data into the system as a responsibility of our payroll product. Our view was that the payroll product started once you had the data in the application. It wasn’t something going into the ODI process that we would have identified as being an area of concern,” Reschke said. But in evaluating its customers’ unmet needs, Ceridian realized that anything that required manual intervention on the part of the customers created the potential for errors, delays, redundancy, and confusion in obtaining the benefits from its service.

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The Results

Based on the insights gained from the ODI study, Ceridian developed a detailed set of best-practice service standards and process flows that help clients visualize the service and make it easier for them to discuss their requirements at each step along the way. When Ceridian takes on a new client, it holds a series of kickoff workshops that discuss best-practice recommendations for structuring the task the client wishes to outsource. The workshops also let Ceridian collect the client's particular business rules for the task. In addition, Ceridian's tools make clear to all parties the critical processes and employee touch points for the outsourced task. This helps ensure that effective communications and training are in place, leading to a smooth transition to Ceridian's HR services. According to Reschke, the best-practices framework "has materially sped up the whole process we have with transitioning the customer to services. The discussions are much more focused, and we are much less likely to discover a requirement that we didn't know about that causes us to go back and make changes."

After understanding customers' concerns regarding data movement, Ceridian found ways not only to help customers reduce their workload but also to improve the reliability of its own service. Prior to the study, its method was to gather details on data movement for each outsourcing engagement—a very labor-intensive and error-prone process. Now, Ceridian relies on a set of automated tools it has developed that put data into the right format for client systems and move data from point A to point B, so it is where the client needs it to be—all on a routine basis. This solution makes a world of difference to Ceridian's customers, who count on timeliness and reliability in such outsourced tasks as disbursing employee paychecks.

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By better understanding critical customer outcomes for outsourcing human resources, Ceridian has been able to materially improve its service reliability and customer satisfaction at critical touch points in the outsourcing service relationship. As a result, Ceridian's Net Promoter scores from clients who have used its improved offerings have risen 27 percent. In addition, variation in customer outcomes, as measured by key service performance metrics, has been reduced among those customers by 50 percent.

“Strategyn’s outcome-driven methods for identifying and prioritizing customer needs provide an efficient and effective guide to service innovation.”

—Lance Reschke, Vice President of Human Resource Outsourcing, Ceridian

Learn More

Strategyn is an innovation consulting firm specializing in the management of innovation. To learn how to make Strategyn’s Outcome-Driven Innovation methodology the cornerstone of your company’s corporate innovation efforts, visit strategyn.com.

Publications that explain the details behind Strategyn’s methodology include:

- Anthony Ulwick, *What is Outcome-Driven Innovation?*, (White paper, March 2009).
- Anthony W. Ulwick, *Turn Customer Input into Innovation*, *Harvard Business Review* 80, No. 1 (January 2002).
- Anthony W. Ulwick, *What Customers Want*, (New York: McGraw-Hill, 2005).
- Anthony W. Ulwick and Lance Bettencourt, *Giving Customers a Fair Hearing*, *MIT Sloan Management Review* 49, No. 3 (Spring 2008).
- Lance Bettencourt and Anthony W. Ulwick, *The Customer-Centered Innovation Map*, *Harvard Business Review* 86, No. 5 (May 2008).
- Lance Bettencourt, PhD, *Service Innovation: How to Go From Customer Needs to Breakthrough Services*, (New York: McGraw-Hill, 2010).

Contacts

United States

Tony Ulwick
CEO & Founder
Strategyn
ulwick@strategyn.com
+1 415 787 2706

Europe

Petr Salz
Director of Business
Development
psalz@strategyn.com
+31 0 40 2261800

France & Italy

Maurizio Beltrami
Managing Partner
maurizio.beltrami@strategyn.com
+41 79 596 34 27

Germany, Austria, Switzerland

Martin Pattera
Managing Partner
martin.pattera@strategyn.com
+43 7472 65510 121



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