Invisible Risks, Visible Consequences: Governance for People-Centered AI

HR Shared Services and Outsourcing Week

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YOUR DISCUSSION LEADS

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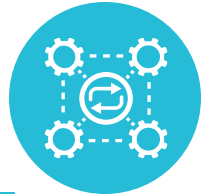
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Who We Are

> **ScottMadden** is a management consulting firm with more than **40 years** of deep, hands-on experience.

We deliver a broad array of **corporate and shared services consulting services** - from strategic planning through implementation - across many industries, business units, and functions.

Our **knowledge, expertise, and experience are unmatched** - no other firm has helped more clients with more unique solutions.

CORPORATE & SHARED SERVICES

Experience

Our experienced team has been a pioneer in corporate and shared services since the practice began decades ago. We employ deep, cross-functional expertise to produce practical, measurable solutions.

Scope

We have completed thousands of projects since the early '90s, including hundreds of large, multi-year implementations. Our clients range across a variety of industries from energy to healthcare to higher education to retail. Our areas of expertise span the spectrum of middle and back office corporate and shared services.

Services

We help our clients with assessment, strategy, design, implementation, technology, business case and roadmap, governance, program management, and change management.

Smart. Focused. Done Right.®

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Our AI and Analytics Services

Organizations need AI and analytics as an **ongoing capability**, not a one-time launch. ScottMadden helps HR start fast, show value quickly, and build sustainable expertise.

OUR WORK IN AI & ANALYTICS

- Meet HR where they are — from first use cases to scaling across HR
- Stand up working AI solutions in weeks
- Build the foundation for long-term capability

OUR FOCUS

- Improve HR decision-making
- Better support employees and managers
- Strengthen case management and policy guidance
- Prioritize safety, accuracy, and adoption

AI & Analytics Services

Sample HR Relevant Use Cases

- Inquiry on HR policy interpretation
- Payroll
- Time & Labor

- Scheduling workforce
- Onboarding
- Talent Management (TA, Perf, LM, Mobility)

We scale our **AI for HR**:

- Data preparation across HR platforms
- Cloud-based AI services integrated with HR systems

- Predictive modeling and diagnostic analytics
- Interactive dashboards

- Workflow redesign and automation
- Model governance, testing, and quality for sensitive data

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Representative Clients

Retail and Consumer Products	Manufacturing and Industrial	Technology and Communications	Higher Ed., Public Sector, Non-profit	Energy and Utilities	Healthcare	Professional Services
Core·Mark	ABB	ARROW	AURA	AMERICAN ELECTRIC POWER	AdventHealth	AAA
DOLLAR GENERAL	BRAND SAFWAY	MITSUBISHI ELECTRIC	Channel Islands CALIFORNIA STATE UNIVERSITY	aps	Adventist Health	Adecco
KEEN	DURA	PANDUIT	EMORY UNIVERSITY	BH Black Hills Corporation	AmeriHealth Caritas Care is the heart of our work	Entrada Group Mexico, Delivered
OAKLEY	ENPRO	SEAGATE	mtw	bp	HCA Healthcare	GHD
OLYMPUS	GP Georgia-Pacific	SIEMENS	THE BOARD OF PENSIONS OF THE PRESBYTERIAN CHURCH (U.S.A.)	DUKE ENERGY	Kettering HEALTH	randstad
REI CO·OP	Ingersoll Rand	Spectrum	The University of Akron	exelon	MOSAIC LIFE·CARE	RELIAS
Sealy	KOMATSU MASONITE	T·Mobile		WE	SSM Health	Russell Reynolds ASSOCIATES

Note: Representative sample; not all-inclusive of clients served. Excludes numerous well-known clients due to confidentiality agreements

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AI Is Reshaping HR – Why Governance Matters Now

AI is entering HR faster than policies, systems, and processes can keep up. Without guardrails, it changes how work gets done in ways HR may not see or control.

Employees are already using AI tools

- Drafting HR requests
- Interpreting policies
- Generating documents and responses

Employees already use AI; governance ensures they rely on approved, secure tools

AI now influences employee experience at scale

- Answers, tone, and recommendations come from models
- Errors replicate instantly

Governance protects accuracy, fairness, and trust

Vendors push new AI features automatically

- System updates introduce AI without notice
- Models make assumptions that may not match your HR practices

Governance provides guardrails so AI changes are seen, tested, and aligned with HR before release

AI is reshaping HR workflows behind the scenes
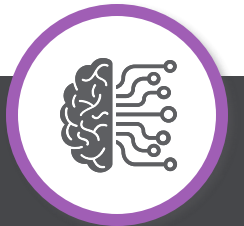
- Routine questions and tasks are automated before they reach HR
- AI introduces new categories of inquiries
- Decision paths (e.g., guidance, recommendations, routing) shift based on model outputs

Governance ensures AI-driven workflow changes remain transparent, accurate, and equitable across HR

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AI is Fundamentally Changing the HR Delivery Model

Unified AI Intake
One front door
Personalization ↑
Access ↑ · Resolution ↑

Silo Elimination
Single case across functions
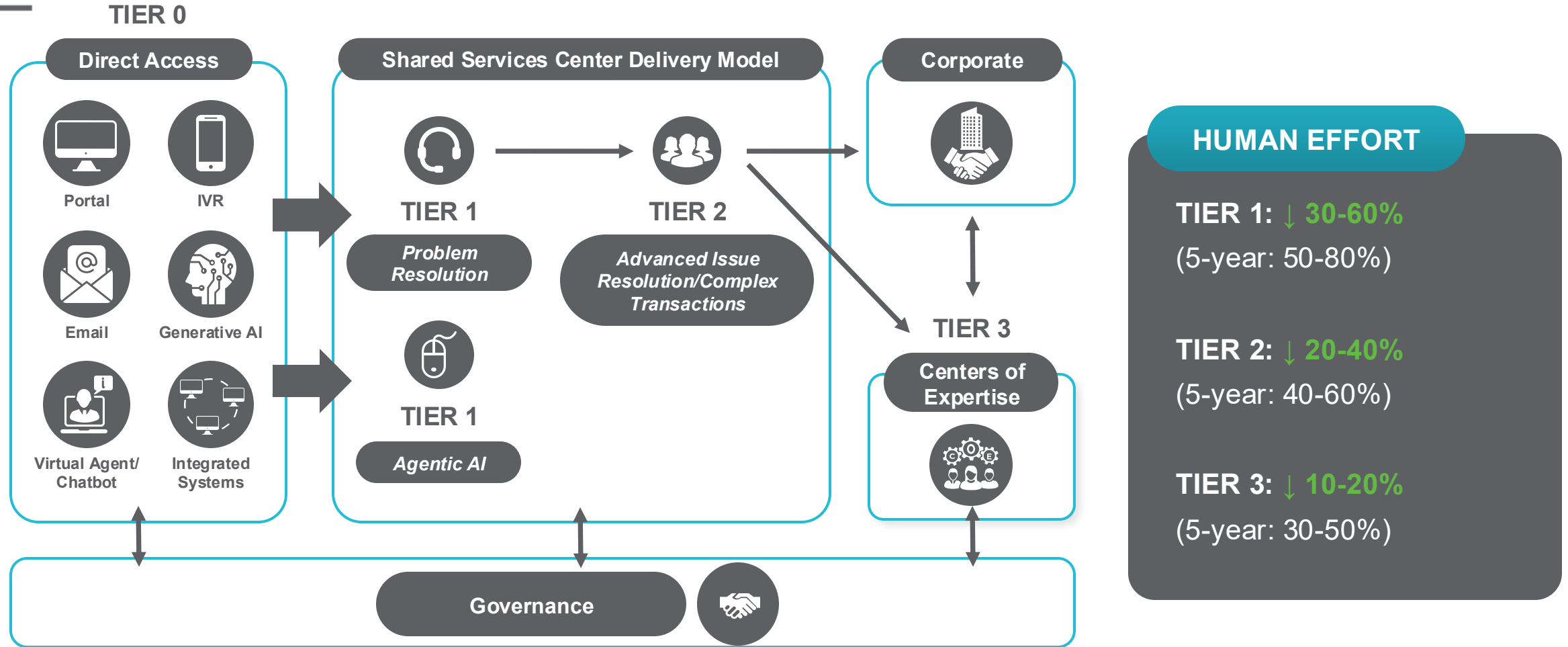**Handoffs ↓ · Rework ↓**
Cycle time ↓

Enhanced Design
Integration + alignment
Shared KPIs ↑ · CX ↑
Org strategy support ↑

Setting the Direction for Responsible AI in HR Shared Service

TIER 0

Direct Access

Portal

IVR

Email

Generative AI

Virtual Agent/ Chatbot

Integrated Systems

Shared Services Center Delivery Model

TIER 1

Problem Resolution

TIER 1

Agentic AI

TIER 2

Advanced Issue Resolution/Complex Transactions

Corporate

TIER 3

Centers of Expertise

Governance

HUMAN EFFORT

TIER 1: ↓ **30-60%**
(5-year: 50-80%)

TIER 2: ↓ **20-40%**
(5-year: 40-60%)

TIER 3: ↓ **10-20%**
(5-year: 30-50%)

AI becomes part of the tier service delivery model. If HR Shared Services does not have governance to guide how AI is used, the tools will shape the service model on their own.

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The Stakes for HRSS: Accuracy, Equity & Control

Technology Ownership is Not Service Ownership

Why Governance Cannot Sit with IT Alone

- IT owns system and security, but not policy interpretation or workflow

- AI outputs must reflect how HRSS applies policy, not how a system infers it

- HRSS must guide testing, release decisions, and ongoing content accuracy

- Governance keeps AI aligned with the HRSS service delivery model

- **Key Message - AI becomes an operational teammate and HRSS must oversee to ensure AI delivers answers that reflect HR practices**

HRSS is The Guardian of Accurate and Equitable Guidance

Key Stakes for HRSS: Data, Legal, Vendor Drift

- HRSS handles sensitive data and must protect how AI accesses and transacts it

- AI must interpret and reflect policy differences across geographies

- Vendor models often use general information that does not match your HR organizations requirements

- Model behavior changes require monitoring to gain HR trust and drive the employee experience

- **Key Message - AI amplifies strengths and weaknesses, while governance ensures accuracy and equity**

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REAL CASE STUDIES: WHAT WENT WRONG

HR Chatbots Providing Policy Guidance

AI-Driven Case Routing for HRSS

Relevant HR Case Studies

AI can rapidly scale HR support, but without strong governance it can also introduce risk (e.g., by spreading inaccurate guidance or creating inconsistent, inequitable routing of employee issues).

Case Study 1: HR Chatbots Providing Policy Guidance

What happened

- Companies have launched virtual assistants that gave incorrect or outdated HR policy answers
- For example, bots gave regionally incorrect guidance (e.g., U.S. leave rules to EMEA employees)

Consequences

- Employee confusion, compliance exposure, HRSS cleanup work

Governance that would have prevented issues

- HR-led content validation
- Accuracy audits and version control
- Escalation paths (bot doesn't guess policy)

Case Study 2: AI-Driven Case Routing for HRSS

What happened

- AI routed all complex cases to top performers, leaving new reps underdeveloped and senior reps burned out

Consequences

- Workload inequity, burnout, high turnover, and degraded SLAs

Governance that would have prevented issues

- Workload equity monitoring
- Human-in-the-loop review of routing logic
- Balanced KPIs (beyond speed alone)
- Authority to pause the model during drift

WE WANT TO HEAR FROM YOU! (Live Polls)

Poll 1:
Current Governance

Poll 2:
Effectiveness

Poll 3:
Improvement Areas

Poll 1: Current Governance

How would you describe your current approach to governing AI in HR or HRSS?

A. No governance in place

B. Informal / ad hoc guidelines

C. Some documented processes, but not consistently applied

D. Formal governance framework used across HR

E. Mature, cross-functional AI governance (HR + IT + Legal)

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Poll 2: Effectiveness

How well is your current AI governance working today?

A. Not working / unclear

B. Needs significant improvement

C. Partially working, inconsistent across teams

D. Working well with some gaps

E. Strong and reliable governance

Poll 3: Improvement Area

Where is the biggest opportunity to strengthen governance? (multi-select)

A. Clarifying roles & decision rights

B. Managing risk (fairness, compliance, accuracy)

C. Monitoring & auditing AI tools

D. Employee transparency & communication

E. HR/IT alignment and collaboration

F. Vendor evaluation & oversight

G. Data quality & validation

H. Change management & adoption

Three-Layer Governance Model – Enterprise, HR, and HRSS
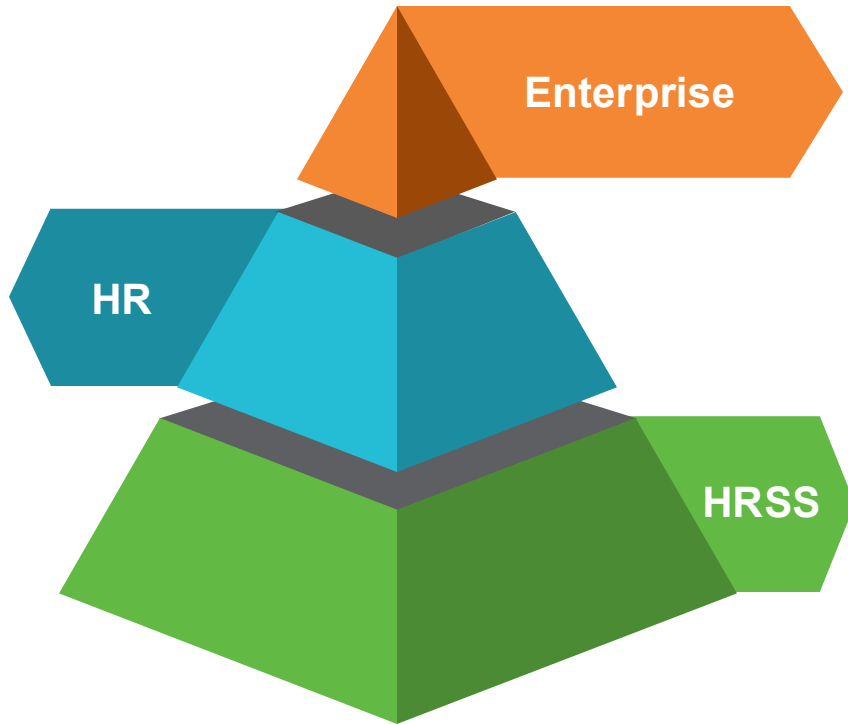
Enterprise (Corporate / Enterprise Governance)

- Sets enterprise-wide AI, data, and risk management policies
- Defines organizational principles (ethics, compliance, security)
- Approves high-risk or cross-functional AI use cases
- Ensures alignment with corporate strategy and regulatory requirements
- Provides enterprise platforms, tooling standards, and oversight mechanisms

HR (Functional Governance / HR Leadership)

- Owns HR strategy, policies, and talent philosophies
- Determines where AI can and cannot be used across the HR lifecycle
- Reviews people-impact risks (fairness, experience, culture)
- Aligns COEs (Talent, Total Rewards, ER, etc.) around consistent governance
- Approves HR-specific AI use cases and decision frameworks

HRSS (Operational Governance / Execution Layer)

- Conducts testing, accuracy checks, and ongoing audits
- Ensures policy-aligned and compliant outputs (content, routing, responses)
- Serves as the control tower for escalations and real-world impact monitoring
- Coordinates with IT and HR COEs on model performance, issues, and updates
- Leads triage/audits with Legal, COEs, etc. to embed compliance requirements routinely

Leading Practice Governance Models

Five key characteristics:

1 **Clarify Structure, Roles, and Responsibilities**

- Clear structure reduces ambiguity and accelerates HR, employee, and manager adoption
- Establish critical cross-functional clarity to shorten timelines and reduce compliance risk

2 **Promote Organizational Agility**

- Defined governance layers and agile approaches help organizations flex and avoid rework during and after implementation

3 **Establish AI Operational Discipline**

- Established AI operational discipline applied to case management and knowledge management
- Governance becomes an integrated part of routine work - not a stand-alone activity

4 **Align AI With Policy & Service Delivery Expectations**

- Governance keeps AI aligned with policy, service delivery expectations, and employee needs

5 **Adapt Roles and Workloads for an AI-Enabled HR Model**

- Tier 1 focuses more on quality and less on volume HR transactions
- New service delivery roles emerge for testing and data review

Why AI Governance Matters for HRSS

A strong governance structure ensures responsible AI use in HR Shared Services. It guides decisions, protects the employee experience, and keeps AI aligned with policy and operations.

Effective AI Governance Ensures HRSS can:

- **Guide decisions** about expanding AI use by employees, managers and process owners
- **Prioritize new AI features** based on **risk, impact, and organizational readiness**
- **Identify and correct AI-driven service issues** early
- **Evaluate AI policy application** to confirm alignment with global and regional requirements.
- **Set and enforce governance standards** through routine reviews of AI accuracy, compliance, and responsible behavior

Key Considerations

- Match the governance structure with the organization's readiness and risk profile
  - **Lower risk** use cases require less oversight
  - **Higher risk** use cases require formal testing, review, and monitoring
- Cross functional participation ensures sound oversight
  - COEs, Legal/Compliance, IT, and HRSS work together to ensure AI remains accurate, fair, compliant, secure, and fully integrated into service delivery
- Establish criteria for evaluating issues and making decisions

Company, business unit, and HRSSC leaders share responsibility for how AI is used across the service model. HRSS teams own daily oversight that ensures AI delivers accurate, equitable, and trusted outcomes

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Adaptive Innovation: Our AI Launchpad Service

Discovery Sprint (2-4 weeks)

- Rapid exploration of AI opportunities
- Prioritize HR AI opportunities based on expected value and ease of implementation
- Success = validated learning for HR, not perfect plan

Productization Build (2-4 months)

- Transform validated HRSS charter into scalable solutions
- Architecture for reliability and adoption within HR systems
- Stage-appropriate governance and controls for sensitive employee data
- Success = measurable business impact + expanding usage across HR
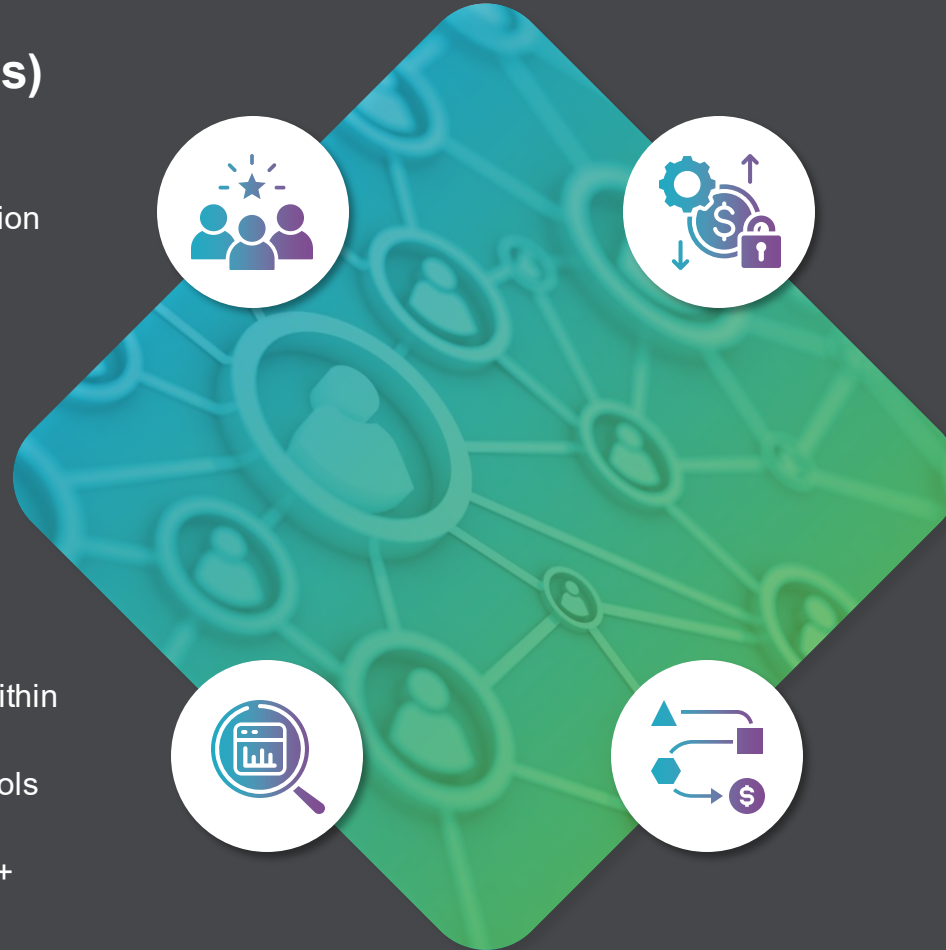
Industrialization & Operations

- Optimize proven HRSS solutions for enterprise scale
- Comprehensive implementation and adoption support
- Efficiency, quality, and cost optimization across inquiries and case management
- **Success = operational excellence + sustained ROI**

Portfolio Management

- Active management across experimentation, scaling, and operations
- Progressive governance matched to stage and risk level
- Continuous learning built into HR workflows and service measures to capture and reuse
- Portfolio health metrics drive decisions and where to invest next

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Wrapping Up – Thank-you!

HOUSEKEEPING ITEMS

- Complete SSOW's workshop evaluation form to help us improve
- Request access to our complete workshop presentation

Access our workshop deck!

STOP BY SCOTTMADDEN'S BOOTH

- Bring your questions or AI and HRSS experiences to talk with us in more depth
- Drop a card to gain access to shared services insights and helpful resources

Thank you for participating in today's workshop and enjoy the rest of the conference!

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