



THOROGOOD
PROFESSIONAL
INSIGHTS

Chapter 2

The new HR model

- HR Operating Model
- Moving away from the old model
- Freeing up HR to deliver
- Fulfilling the roles in HR
- Role of the HR Business Partner
- What does this mean for the line manager?
- The role of the line manager
- Line management concerns
- Role of the HR Center of Excellence
- Role of the Shared Service center
- Drive down SG&A (sales, general and administrative overhead) costs
- Create a clear relationship between costs and service
- Improve service levels and quality
- Maximize technology investments
- Chapter summary of key messages

Chapter 2

The new HR model

HR Operating Model

“Companies now are finding that the HR issues are, in fact, center stage to business competitiveness. The intellectual capital, core competencies and organizational capabilities are all the pieces that are central to success.”

ULRICH - ‘HUMAN RESOURCE CHAMPIONS’, HARVARD PRESS, 1997.

Background

The previous chapter has discussed the drivers for the changing nature of HR’s role; the business’ perception of the function, the need to execute strategy and the need for metrics to demonstrate success and targets for the future.

There is a real and frequently voiced view within HR and the broader business community, that HR has not always had the tools to deal with these issues. Where in the past HR has possessed in some part the skills to engage, it has not always given itself the opportunity to do so. Clearly there have been barriers to HR’s effectiveness in the way it was organized and this chapter seeks to examine some of the issues and solutions proposed to tackle these.

Traditionally HR has often held very direct and ‘open door’ relationships with employees. In doing so it has fulfilled an essential gap in the business – the voice or advocate of the employee. It has also filled the role of facilitator and executor of all people related processes, regardless of whether these were necessary or HR was the most appropriate method of delivery. There is now a set of pressures

that are emerging that demand that HR is able to respond in a different way to meet them. The pressures come from differing directions:

From the CEO

- Focus on ‘core competencies’
- Companies retrench to focus on core activities
- Creates pressure on HR to ‘prove its worth’

From the CFO

- Pressure for cost reduction
- Benchmarking against sector high performers
- Requirement to demonstrate the ROI for HR activities

From line manager

- Support for them to have the autonomy to manage their teams
- Tools to improve the performance of their teams
- Less labour intensive interaction with HR

From employees

- Improving service to employees
- Modern employees act as ‘volunteers’ and demand high standards of service from HR
- Employees have a new one-to-one relationship with companies

To meet these pressures the HR profession has begun to articulate new ways of creating value through the function. A new model has emerged in recent years that aims to provide HR with the platform on which to deliver its promise. The new model requires HR to position itself to engage with the business at the right levels, in the right ways.

We shall examine the organizational structures that allow HR to tackle the challenges it faces today and the approaches HR leaders have used to deploy these.

The new roles

The above pressures are broadly driven by four themes:

1. Strategic – drive the business strategy forward.
2. Financial – demonstrate functional cost reduction and value.
3. Change – work with and lead the business through change.
4. Performance – improving the performance of individual employees and teams.

HR must organize itself to meet these and demonstrate that it is achieving them. Delivering this clearly has two key components that HR must develop; the skills to achieve and the organizational design to allow it to engage. We shall tackle the new HR skill set within Chapter 6. Prior to this we will consider the new roles and structure that allow HR to take on these challenges.

Moving away from the old model

HR has traditionally delivered its services via a hierarchical model with the following types of activity delivered by all team members:

Strategic	Planning, design tracking, research and strategy development
Execution	Direct contact with HR customers, strategy delivery and process advice
Administration	Co-ordinating and scheduling process execution, inc. data entry and form processing

A recent study of the work performed by HR Managers within a US Insurance company (Global Human Resources, 2000) looked at the types of work completed by managers who were working within the following roles:

Specialist – Focuses on a specific area of HR activity, e.g. payroll, employee relations or HR Information Systems.

Generalist – Traditional HR management roles, focusing on a broad range of HR activities including: legal, policy interpretation and staffing issues.

Administrative – Managing the processes that support people management policies, including payroll, recruitment and on-boarding administration.

The findings were not uncommon in many HR functions in that much of the managers time was taken up with administration activities in support of their roles.

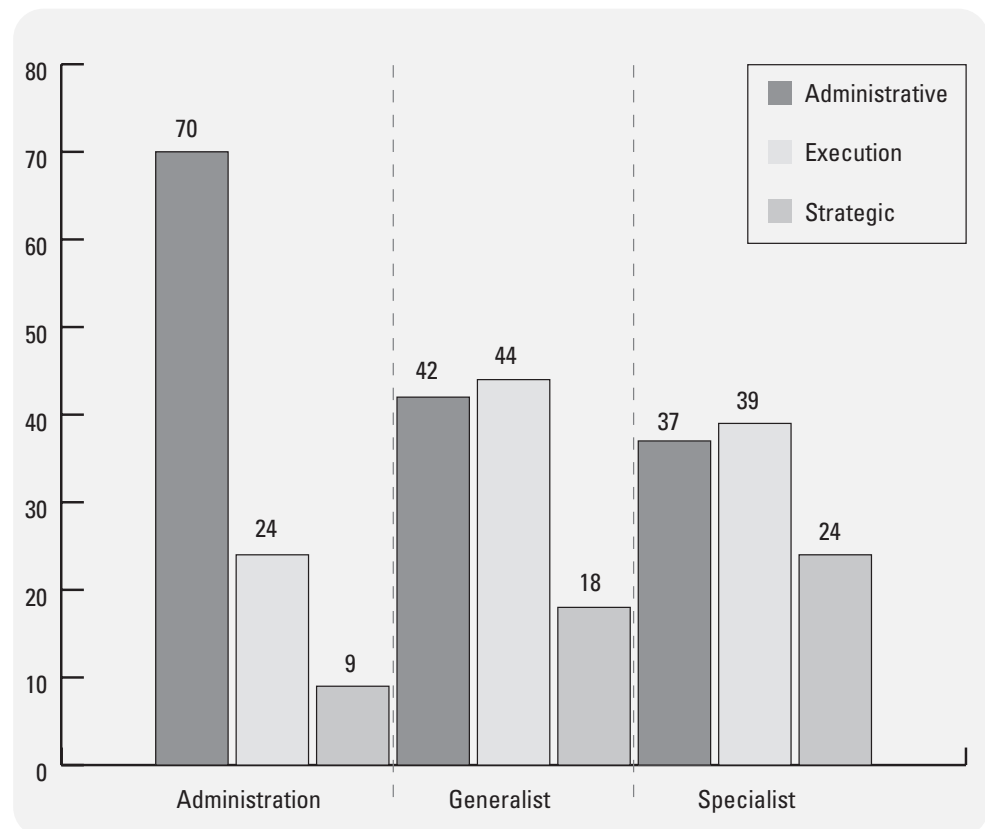


Fig 1: % of time spent on key types of activity in each HR role.

Regardless of the focus of each role, the majority of time is spent completing administration.

For the Specialist – they are not deploying their deep content knowledge and maximizing the development of that in relation to the business needs.

For the Generalist – they are not spending time engaging with the business to ensure the ‘people’ side of improving business performance is covered.

For the Administrator – there are still problems. They are focusing too heavily on the completion of administration type tasks, rather than spending more time on focusing on how to improve their efficiency.

Allowing these roles to support the business more effectively and focusing on delivering the value that HR can create, requires a new view of the structure of HR delivery.

Freeing up HR to deliver

A model has emerged in the last few years that allows us to focus on the four challenges of:

1. Strategy;
2. Financial performance;
3. Change management; and
4. Business performance improvement described above.

This model seeks to focus HR delivery on a framework that promotes specialist knowledge and positions it to deliver on the challenges presented to HR.

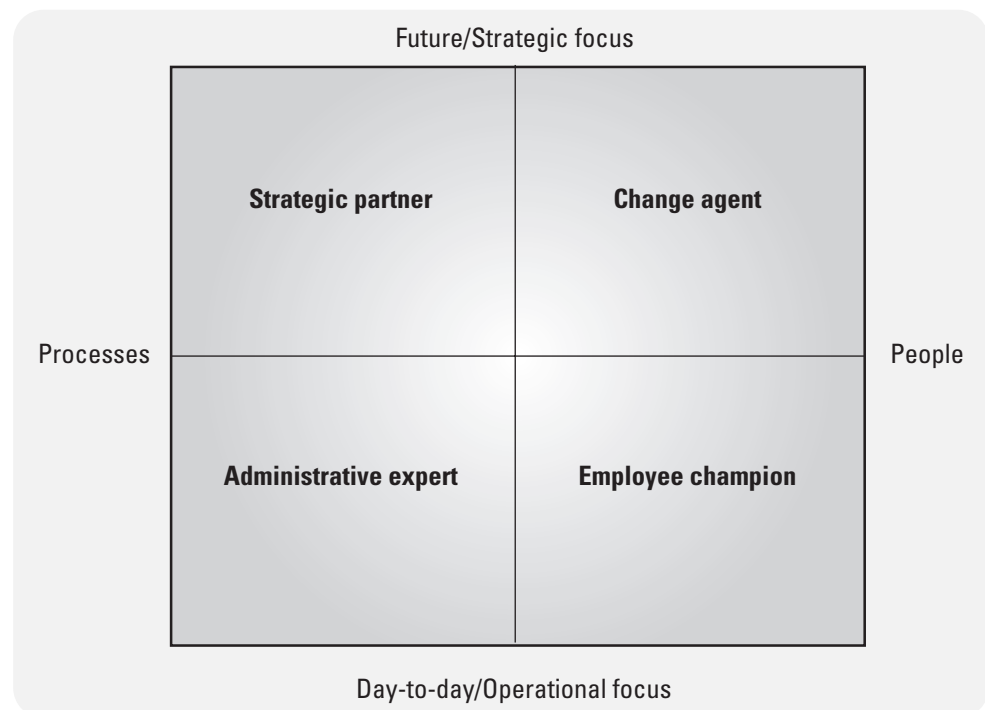


Fig 2: The Ulrich model (Ulrich, 1997)

Here new roles are mapped out for HR. Each role combines to focus on delivering improvement within the function and within the business.

Through this model HR can tackle its challenges in a holistic way. HR is able to tackle the strategic issues by having a Strategic Partner who clearly focuses on them. Through an Administrative Expert, the function is able to demonstrate it is supporting the financial goals of the company by focusing on having an efficient and high quality service. The function is also able to focus on the employee relationship and improving employee capability, by the establishment of the Employee Champion role. Finally, the Change Agent role allows the function to meet the challenges of the changing business environment and positioning the business to execute strategy.

METAPHOR	ROLE	ACTIVITY	DELIVERABLE
Strategic Partner	Management of strategic resources	Aligning HR and business strategy	<i>Executing strategy</i>
Administrative Expert	Management of firm's infrastructure	Re-engineering process	<i>Building an efficient infrastructure</i>
Employee Champion	Management of transformation and change	Listening and responding to employees	<i>Increasing employee commitment and capability</i>
Change Agent		Managing transformation and change	<i>Creating a renewed infrastructure</i>

Through demonstrating its control of internal efficiency and quality, the HR function can build the credibility to support its right to engage with the business in the other areas.

“Basic transactions are a measure of you as an employer and your employer brand”

DOMINIC MAHONY, HR DIRECTOR, UK – TUI

Fulfilling the roles in HR

With the organizational model established to meet the challenges, we must now address filling them to enable their delivery. Much discussion on the development of the 'HR Business Partner' (HR BP) role has focused on strategic delivery. To take this view ignores the holistic approach, established prior to this, as essential to meeting the challenges of the future. The HR BP will need to operate in a number of areas, supported by additional parts of the HR function and wider business to take on the challenges described.

The model must approach each quadrant of HR's delivery model and fill it in the most effective way. Each sector requires different skills to be effective. The pull of inappropriate activity in each area must be removed. The following model aligns our delivery approach with the roles necessary to deliver.

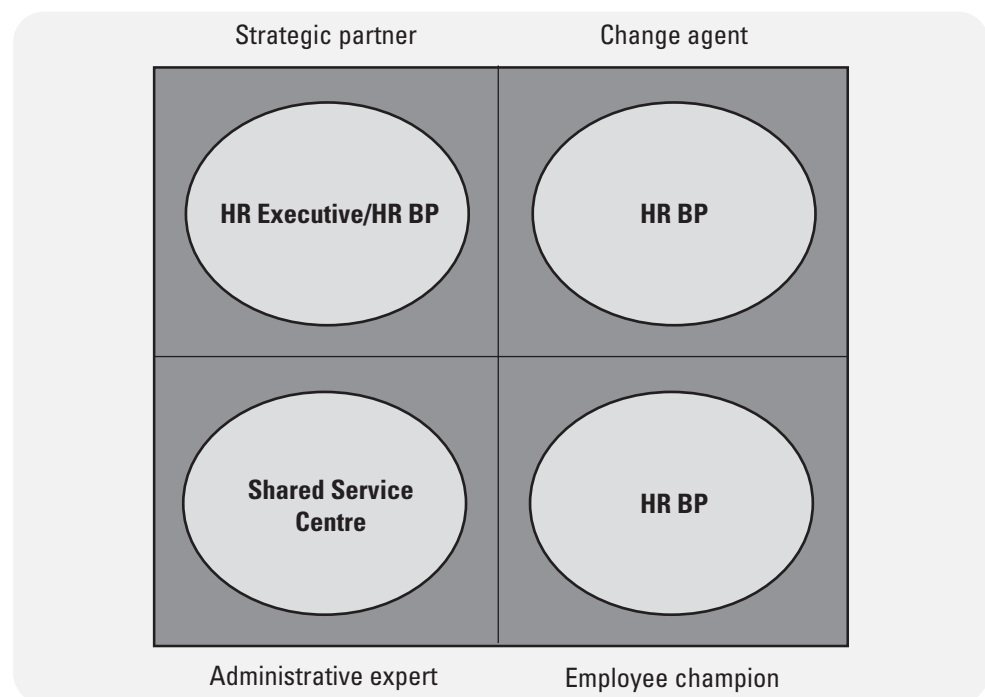


Fig 3: Roles in the Ulrich model

Each sector requires a distinct skill set that we shall consider later in the report. We shall at this point examine the nature of each role and how they interact.

Role of the HR Business Partner

The role of the HR BP is one that has started to become more prevalent in companies today. When implemented completely it represents a real shift away from the Generalist HR Manager role.



Fig 4: A comparison of job adverts for a Generalist HR Manager and a Group HR Business Partner (People Management, 2003)

The HR Business Partner role is closely aligned with the business. As can be seen in the above recruitment advertisements, the role is far more actively engaged with the business. The Group HR Business Partner role sees HR travelling out to business units, developing an in-depth understanding of the businesses needs and objectives. Whilst there is still the need to deploy a broad HR technical knowledge, the key outcome is the effective application of policy advice, influencing skills and deep understanding of how the application of proven technology can assist the delivery of the businesses strategy.

In a recent US study, HR was perceived as being at its most effective when it engages with the business on HR BP model, as it is closer to the business, its goals and issues.

LAWLER AND MOHRMAN, 2000

This pulling together of all the available tools at HR's disposal lies at the heart of the role and presents some very real challenges for HR.

AVERY DUFF, GLOBAL HR DIRECTOR, EMI MUSIC, NOTES:

“you (the HR BP) need to be equal to or better than the best people on your bosses’ team, understanding how each area makes money or adds value”

To achieve this, individuals in the role need to overcome a number of issues.

- They must have the credibility to engage with the business.
- They must be accepted into the management team in order to understand its objectives and provide direction.
- They need a deeper skill set than the technical one previously held by HR (e.g. legal and process compliance).
- They must be able to access the right technical and administrative support to enable it to deliver.

These issues point to the heart of the HR BP role. This requires a supporting infrastructure of expert knowledge and efficient administration to allow that detachment to take place. The following sections of the report examine the other key component parts of that support.

RUSSELL MARTIN, HR DIRECTOR AT PRUDENTIAL UK NOTES:

“The issue of preventing the HR BPs ‘going native’ is key. As they do so, the HR function begins to lose its integrity of strategy and thinking. This also represents a real risk in that it can be viewed by employees as compromising the role of HR as ‘Employee Champion’. HR becomes too closely aligned with ‘management’.

What does this mean for the line manager?

The delivery of the new HR model has to look outside the HR function for support. Much research has focused on the need for line managers to 'own' their people issues. They are closest to the issues and are often the face of the company to their teams. As such, there is a compelling argument for providing line managers with the skills and tools to improve their 'people skills'. A study in the pharmaceutical industry found that employees in this knowledge intensive industry were more likely to leave a company to follow a good line manager than for more money (Arlington et al. 2001).

In addition, the intervention of HR in staff relationships with line managers and HR process transactions, is often a source of significant inefficiency in an HR function.

Examples of intervention by HR of limited value:

- HR staff passing CVs to managers who are recruiting.
- HR spending time dealing with minor disciplinary issues where the process and facts are clear.
- HR involved in keeping vacation logs and conducting return to work interviews.

It would often be quicker and more efficient for HR to step out of the process and allow the line manager to deal directly with such issues. In this section we shall look at the role the line management community has to play in delivering a new model for HR.

The role of the line manager

The line manager at each management level has a key role to play on delivering the new HR model. The depth and scale of their role varies across each of the quadrants of HR activity. The model below highlights the scale of line management involvement in each of HRs roles.

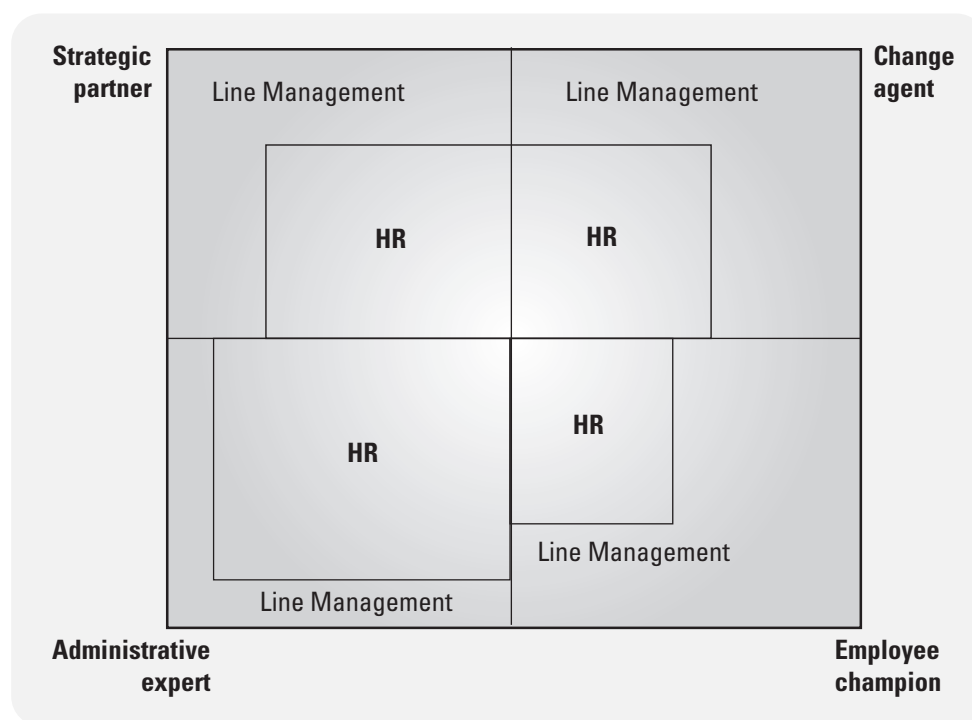


Fig 5: The scale of contribution of the line manager

The junior line manager is clearly not well placed to act as a Strategic Partner in HR terms. This work encompasses the development of HR strategy and aligning it to the business strategy. The senior line management team does have a fundamental role in this space by signing off, at an executive and business unit leadership level, the HR strategy the business will be taking. Indeed, the HR leadership team can only define this by developing a partnership with the senior management and executive team.

The line manager will take only a limited role in ensuring HR is an Administrative Expert and is able to operate and run an efficient function. It can however, supply requirements and approval to the models and approaches HR uses to deliver an efficient service.

The role of Change Agent presents a greater opportunity for the line manager. HR can be the instigator, facilitator and owner of the co-ordination of people issues in change programmes, but the line manager is often the delivery arm and owner of the overall outcome.

Finally the role of Employee Champion is potentially the area that the line manager can make the greatest contribution. Line managers have the closest relationship with their employees and have day-to-day contact that provides the potential for deep understanding of employee attitudes. A clear sign that line manage-

ment is listening to and engaging with, employees will improve employee satisfaction significantly (Holman 2002). The line has access to the information that can inform, guide and confirm HR strategy, policy development and business change.

Line management concerns

By moving what may have been previously seen as ‘HR activities’ to the line manager, a number of issues are likely to be encountered. More often than not, these are raised by line management themselves.

Skills – Much has been made of the need to raise the skills of line managers, particularly at the first line level. Indeed, a recent industry conference for HR Directors, The HR Forum in 2003, took it as a key theme (Richmond Events, 2003). Line managers are often in their positions because they possess technical knowledge about their field of operations, rather than their people management skills.

Developing their skills to take on this role will require the following two areas to be developed:

- HR policy and process knowledge.
- People management skills.

The first should not be an attempt to instill the entire HR handbook in the line management community. Clearly, they will need the basics to ensure legislative and company policy compliance. More importantly though there will need to be the right level of expert support, provided either through an HR Center of Excellence or Shared Service Center. The nature and scope of these entities will be discussed later in this chapter.

The second will need to be developed at the point of need, where skill gaps are found. In the longer-term, it makes sense for these skills to be part of the core skills or competencies of line management that the business selects and recruits to.

Communications – In any programme of change this is a key area. Here it is even more so, as line managers must understand clearly what their role is, where they can get support and why this change is happening. Without clarity in these areas the change will fail.

In certain HR roles, for example ‘change agent’ and ‘employee champion’ the line manager has a significant responsibility. If they do not have a clear view of

the above points they will not be prepared or able to deliver. Line management need the skills, process support and ‘voice’ within the organization to be able to fulfill the role the model demands of them. Without these, they will quickly feel disempowered and unable to meet the challenges. Where this happens, HR will find itself carrying out activities it believed it had passed to the line manager. As a result it will be back to a position where its focus is poor and, worse still, with a significant loss of credibility.

“If the line can be included in the change process its success, as with any change management programme, is more likely. Furthermore, if the junior line management levels see that this is something that is sponsored and actively participated in at the highest levels, the change programme will be more credible and successful.”

DANIEL FLINT, HR DIRECTOR UK AND IRELAND – ACCENTURE

Value – HR is just one of the business support functions that is looking to move more of what has traditionally been seen as its role, to the line manager. IT departments have been asking employees and line managers to take on activities such as application updates, self-installing software and moving the onus for problem resolution onto the individual, for over 10 years, enabling them to reduce costs. Finance departments have been moving more of the role of approval and tracking to the line manager, to enable it to focus on the core activities of financial management and planning. HR could potentially just be adding to this burden. If the line manager is unable to see any benefit in taking this work on, then it is unlikely to engage.

There is little value in HR just ‘pushing’ the same work onto the line manager as it will cause resentment and damage its credibility. There must be a transformation that enables the line manager to see that it is of value to them, their employees or the organization, to ensure take up. This may be found through the use of technology to ‘e-enable’ basic administration or reporting; for example, entering overtime payments. By ‘e-enabling’ transactions we are providing employees and line managers with the ability to undertake HR transactions at their convenience, directly using the HR Information Systems. Often this is provided by self-service applications in enterprise systems like SAP or PeopleSoft. The completion of paper forms that need to be found, completed and despatched to HR each time is eradicated. Other ways may be through process

re-engineering. For example, all sickness could be reported directly to an HR Shared Service Center, which can then centrally manage the tracking and reporting of sickness. This example also creates significant value for the organization. It can now take a corporate-wide view of sickness absence, quantify the cost of the problem and develop measures to control it.

Role of the HR Center of Excellence

Thinking back to our new model of HR, we have established that the HR Business Partner is able to create the best outcome by focusing on delivering against the specific needs of a business. They must apply deep knowledge of the business alongside broad HR technical and process knowledge. Having said that, they will not be able to tackle key business issues as a Change Agent or Employee Champion, without the support of those who can bring subject matter expertise to bear on people management strategies. As such, HR needs to have the support of the deep technical knowledge the business has traditionally sought from HR. Areas like Compensation and Benefits, Employee Relations are areas where specialist knowledge has evolved within HR teams. Likewise, the line management team holds the closest relationship with employees in many businesses and has a basic understanding of people management policies and practices, but will need detailed support from the same group of HR specialists when their business issue demands it. If the line manager is seeking to tackle a retention problem for example, it is at this point that the role of the HR Center of Excellence comes in to play. We may look to the skills of a concentrated team of 'Compensation and Benefits' experts to evaluate reward strategies that may mitigate the losses.

Scope

The scope of activities covered by the Center of Excellence (CofE) will vary by the nature of HR challenges faced by the industry sector it supports. For example, in the retail industry with high volumes of recruitment activity, those managing the corporate recruiting policy and programmes will often reside within the CofE. In the manufacturing sector, teams of employee relations specialists may be based in the CofE and travel to business units when required to provide local face-to-face support and advice. Activities are included if they require deep process and technical knowledge. The types of activity that are typically found within a CofE are shown below.

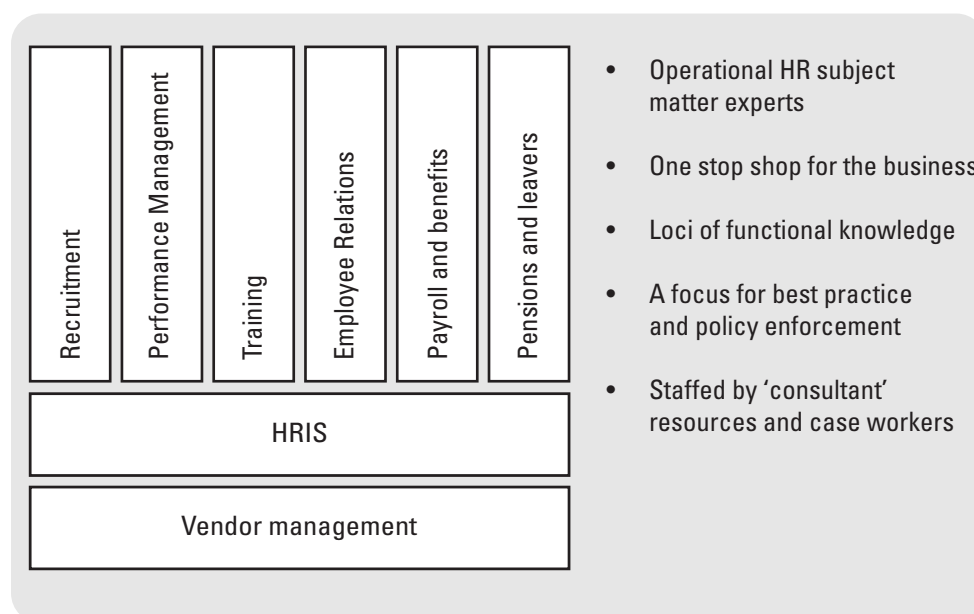


Fig 6: Scope of activity for the HR Center of Excellence

Recruitment – This may include teams of recruiters who support and plan large-scale recruitment programmes, and who may be deployed to the business to support sophisticated selection centers where line managers and local HR BP teams have insufficient resources to complete the selection process. It would be expected that these teams would manage the corporate recruitment brand, as the image and channels by which an employer wishes to be seen in the recruitment market.

Performance Management – These individuals would be able to support the business with policy and design advice as the business unit goes through its performance management cycles. This could be expected to cover feedback and appraisal processes.

Training – Training design and training programme management resources reside here. It may also be appropriate to locate any delivery resources here as well. It would be expected that external training provider relationships should be managed by this team, to ensure maximum value is extracted from these third party relationships. It will also ensure that these relationships, and any favourable commercial and pricing arrangements, are accessible across the whole business. All business units can benefit and further advantages can be gained by presenting a greater volume of business to the supplier as a single buying organization.

Employee Relations – Dependent upon the level of unionization of the industry or company, the Employee Relations team may focus on managing union relations.

More broadly they will be the team who will support the business on the execution of legal compliance, discipline and grievance processes, redundancy and sickness absence processes, and head up the consultation process with both formal and informal employee representatives.

Payroll and benefits – This team will be able to offer a specialist reward policy, payroll, benefits and tax advice. They would be the group called on to deal with programmes to deliver business goals through employee incentive programmes, or manage the pay and tax complexities of moving staff around the globe.

Pensions and leavers – Specialist pension advice may also reside in this team where it is managed within HR. They would be operating at a level that is able to support the business in M&A activity and defining pensions strategy. This group will also provide advice on the management of exit programmes from the business, frequently looking to implement surplus staff policies prior to redundancy.

HRIS (Human Resource Information Systems) – The composition of this group will be dependent upon where expertise for maintaining the HRIS lies. Full technical support may lie within HR or the IT function. At the least, we would expect to find ‘super users’ of the relevant systems who may maintain structures and user profiles.

Vendor management – This function may be integrated within each of the above Center of Excellence areas. This team though, is required to assess the ‘make or buy decision’ and build supplier relationships to support the business to achieve the right service levels and service costs. There are frequently very strong links with the wider procurement function activities and expertise.

Other activities – Dependent upon the structure of the HR function, it may also be expected that Occupational Health and Health and Safety teams would be based within this unit.

Organizational design of the Center of Excellence

The objective of the Center of Excellence is the formulation and dissemination of knowledge and learning around key HR processes to the business, and within the HR teams working as Business Partners in the business. They also define the policy implemented by the HR Shared Service Center. As such, those working in this area of the HR organization will tend to be formed into teams of project-based resources or as teams managing cases of activity, for example, a discipline or grievance case that is complex or moving towards the final sanctions of the policy.

Project based resources provide an important means for the business to gather experts and apply them efficiently across the business. By having the HR BPs and the business call upon these resources, HR is able to assess each request and allocate resources to those projects that it feels are of the highest priority.

Case-worker staff tend to exist in the areas of discipline, grievance and equal opportunities support. They are able to act as a point of support for line managers, engaging with them and staying with the case as it progresses to conclusion. By owning the case to conclusion they are able to drive the process through to ensure it is conducted in compliance with legal timeframes.

A key part of the team's role is that of a point of escalation for the staff in the Service Center. Complex queries to the SSC, which cannot be answered via standard process and policies, will need resolution in the CofE. As a result, contact with the business will often at first be by telephone or e-mail. Depending on the nature of the case or project request that may be as far as the contact method progresses. Where substantial project work or a particularly complex case is to be addressed, contact must be face-to-face. As such, the teams must be mobile.

Benefits of the Center of Excellence

The introduction of this organization provides for a number of benefits, which allow for the maximum value to be created by the new HR model. They can be summarized as follows:

- Experience in specialist areas can be easily accessed by the whole business – it is not just to be found in one site, or business unit.
- Learning can be shared easily across the experts – this drives an overall increase in service quality.
- Greater consistency can be achieved in policy interpretation – this can also bring disadvantages as below.
- The Subject Matter Experts (SMEs) can be more efficiently deployed – staff can work on a project basis wherever the business sees the priority need.

One of the key charges levelled against the new HR model is that it loses detailed knowledge about 'how HR works best' in a particular company (Trubshaw, 2002). The culture and tacit knowledge about how people management activities should be defined and introduced are supposed to be lost as the HR teams get closer to the business and move away from HR. The Center of Excellence provides a

means to address this issue and indeed creates a more favourable situation than the old model allowed.

Experience has shown on implementing this model that it can lead to resentment at a local business unit level, in both HR and the line management communities. Previously HR and the line management may have had discretion (welcome by the business or otherwise) to tailor policy and its implementation to the local requirements. These may or may not have been in line with the overall corporate requirements and objectives. Nonetheless the line management and local HR had complete discretion over the actions they took, regardless of corporate mandated direction. This discretion destroys the HR function's ability to disseminate good practice and management control. An all too well known situation is the disciplinary activities of the business being unchecked, resulting in expensive Employment Tribunal cases.

In certain circumstances, common reward and remuneration practices or standard recruitment processes, may for reasons of corporate identity and operational efficiency, require business units to adhere to a corporate standard set by the CoFE. These will be needed despite local business unit objections. Where flexibility is required, SMEs can be organized to support specific business units to ensure their local needs are met and understood, through communication with HR BPs and the local management team. The extent to which local flexibility is balanced against the corporate need for compliance to group policies, is one of the key areas of challenge when implementing a CoFE model.

Role of the Shared Service Center

“The Shared Service Center (SSC) is fundamental to the delivery of the role of HR as ‘Administrative Expert’. It provides the focused administrative excellence that drives financial efficiency and HR credibility through the quality of its output, ‘getting the basics right, every time’. Whereas the Center of Excellence was able to provide the focus for the businesses HR expert knowledge, the Shared Service Center provides a focus for efficiency. SSCs have been able to deliver 20-40% savings to organizations that implement them.”

(CORPORATE LEADERSHIP COUNCIL 2002). SCOPE OF THE SSCS

The scope of the SSC will be driven by the company's operating requirements and market sector. The key element is that it enables the consolidation of similar HR administration activities from multiple business units. By consolidating processes, an SSC is able to better control transactional administrative activities, drive out costs and create a platform for investment in new technologies. SSC staff are judged on the degree to which they can deliver process excellence. The service is delivered through multiple channels of access to drive efficiency, including the web, telephone and e-mail. Dependent upon the location of the SSC, there may be face-to-face contact if they share the same site or are in close geographical proximity to the employees and line managers they serve.

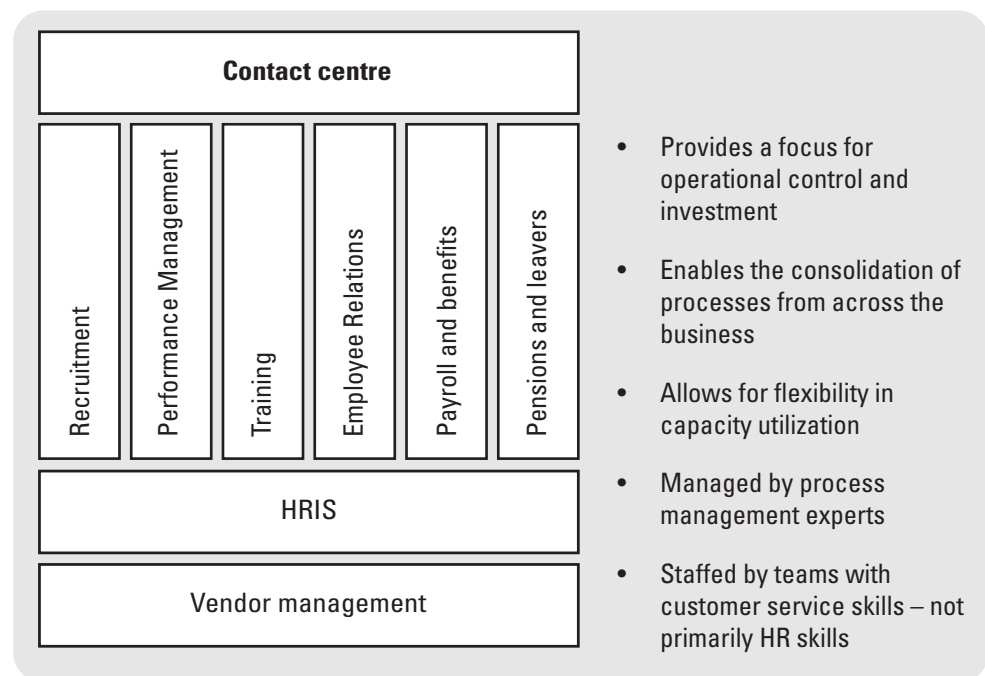


Fig 7: Scope of activity for the HR Shared Service Center

Contact center – This forms the principle entry point for customers to contact the SSC. This will usually be by e-mail or telephone. Staff should have sufficient access to information and systems that will allow them to address user queries and resolve simple actions immediately – ideally 80% of emails and calls should be resolved at the first point of contact. This creates a means to drive service improvements for users. HR is available via a convenient means of contact for the employees and line manager, at times that suit them.

The contact center is also fundamental in the support of the Center of Excellence and the establishment of Business Partners. By creating a first point of contact that is able to filter queries, only those issues that require high-level expert

intervention will be raised to the Center of Excellence staff and only then on to Business Partners.

Recruitment – The teams here would be executing the processes around CV/resume management, interview scheduling, early stage interviewing, test center administration, contract production and induction.

Performance management – Processes managed here include the administration of appraisals and the processing of the outcomes into the reward mechanisms and notification activity.

Training – These activities will concentrate on the administration of training. This may be the booking of training with internal and external delivery providers, the scheduling of training courses for internal provision, venue booking and curriculum management and updating. The utilization of vendor management relationships established by the Center of Excellence training teams will be deployed here.

Employee relations – The Shared Services team may be able to offer low-level advice here. This may include information on basic processes, but will also involve the management of employee files and data for investigations.

Payroll and benefits – The team here will be involved in benefits administration. This will include registration of employees and liaising with third-parties to ensure the provision of these benefits. A key role will be the execution of the payroll. This may be only the build to gross element, which is passed to a payroll services supplier, or the full end to end process. Processing of ‘Share Save’ plans and other reward incentives (bonuses and option type rewards) may also be administered here.

Pensions and leavers – Processes executed here will include pensions administration and the management of pensioners and employee scheme member records, deductions will be advised to payroll and the pensioner payroll run itself where it is not outsourced.

HRIS (Human Resource Information Systems) – The teams here will be mainly involved in data entry and the production of standard reports. Subject to the level of sophistication of the systems much of this will be ‘eEnabled’. This is a key way to drive efficiency and savings.

Vendor management – This team will focus primarily on the purchase ledger aspect of the HR procurement cycle and vendor performance tracking. Where this activity is not performed by the finance function, invoice reconciliation and tracking will be executed here.

Organizational design of the SSC

There are a number of essential aspects to the design of the SSC. We will go on to explore them in more detail in chapter five, along with the staffing requirements and skill sets required to deliver the model. In summary though, they are detailed below.

Service management frameworks – A major departure from the traditional HR operating model is the establishment of a means of publicly codifying the service and seeking to govern the standards of its operation, through pre-agreed service levels. These concepts may be relevant within the Center of Excellence, but are more usually found in the SSC.

These represent a very public shift in HR to a ‘customer centric’ service delivery model. The nature of the measures and amount of resource a company invests in them is very much driven by its intentions for the SSC. The more commercial its operating approach, the more robust the service measures tend to be. Customer charging mechanisms, when used are also built in here.

Standardization – A key concept in delivering the savings from shared services is the ability to standardize processes across business units. This is fundamental in allowing the efficient use of resources. The assets of the service center will largely be the people and technology. The easier it is for them to be used across all ‘customers’ the greater the opportunities for driving efficiency. Standardization will also drive quality improvements. The task execution will be simpler and contain less inherent opportunities for mistakes to be made.

Centralization – Standardization alone will only simplify processes. Centralizing the delivery resources and processes will allow the real savings and efficiencies to be realized. This relies on the concept of ‘asset specificity’. The less specific an asset (people, processes or technology) is to a particular operation, the greater the range of operations it can be used with in eliminating any under-utilization. Quite simply, this will drive up the return on investment in any asset in the shared service environment, as the opportunity to use that asset is greatly increased. It is this concept that is fundamental to gaining real value from centralization. Without it, it is simply a consolidation exercise that may only really promote knowledge sharing.

A common example is the existence of different pay processes across each business unit. They may be standardized in each location, but the benefits are really driven through as the process is centralized. Here the assets required to input data, execute the process and produce pay slips can be rationalized as ‘dead time’ is used up.

Technological enablement – A key thrust in the development of a shared services approach is the use of technology to reduce processing effort. This can broadly be split into three approaches.

The first uses tools like the web and telephone data entry technology, to move the ability to perform transactions to the line manager or employee. A commonly cited example would be the ability for an employee to be able to change their home postal address on-line. This may be through the web front-end of one of the large-scale ERP applications (e.g; Oracle, SAP or Peoplesoft). An alternative approach may be through the development of a web front-end to a number of legacy applications.

The second uses tools like the web and mobile text messaging as a means to keep employees up to date with HR information. Text messaging may be used when staff need to be reminded to complete a transaction. A web site may be used to provide a reference point for policy information or to take staff through a process.

The third approach uses workflow management technology to reduce human input to a process and to drive its timely execution. Workflow technology works on the basis of 'pushing' actions to users when they require completion. So where a job vacancy requires approving before advertising, the system will e-mail the approver with a link taking them to the approval site. Once completed the job will be 'pushed' by the system to the relevant internal job board, internet site or paper media. Whilst this workflow is available within the ERP packages, it is often expensive to customize to suit a businesses specific process. As a result, stand-alone workflow applications may be used.

BT HR Portal

BT Group have over a number of years developed a sophisticated HR portal for their staff. As users log on they are able to see a user profile that is tailored to their role and position in the company.

It links HR policies and processes to life events, for example having to move house. In this instance an employee can be directed to a section where they can update their address in the HRIS, check holiday allowances to schedule time off to move, and complete relocation processes on-line if required.

This approach moves control of the process and some of the effort to the employee. It also uses technology to update databases once and once only. The process is simpler for the employee as they have just one point of reference and do not have to visit numerous parts of the HR department to move through the process.

Benefits of the SSC

The Shared Services model has been successfully developed within a number of functional areas such as IT, finance, procurement and now HR. In many ways, HR was one of the last to start to reap the benefits of this approach in terms of streamlining its administration. Nonetheless, the benefits it has sought as a function have been the same. Below are some of the commonly cited benefits from implementing Shared Services (Quinn, Cooke & Kris, 2000):

- Drive down SG&A (sales, general & administrative overhead) costs
- Create a clear relationship between costs and service
- Improve service levels and quality
- Maximize technology investments

Has this happened?

In many organizations the above have been difficult to deliver. Indeed the barriers to achieving them can seem insurmountable. Below we explore some of the realities and approaches to achieving the benefits forecast for Shared Services in HR.

Drive down SG&A (sales, general and administrative overhead) costs

Very real cost savings are certainly achievable. Having said that, whilst HR must take a frugal approach to delivering its administration, it is often an under-funded function in many businesses. As a total percentage of SG&A costs it is also often one of the smallest. The cost of HR of a figure of 1% of total company net revenue is not unusual (EP-First 2003). If it can deliver a 20-30% reduction in costs then that may be a rather unimpressive £ or \$ figure for the CFO, particularly where any investment to get there is substantial.

The key is not to focus on solely the cost savings, but to really understand the value that is created. The HR budget is not the only financial measure (and is a very small measure) of the people management impact on the bottom-line. With the right metrics, HR can begin to demonstrate that it may be able to operate more cheaply, but also develop the consolidated information to track its impact elsewhere. For example, in tracking and managing absence. This will deliver a far greater contribution to the bottom-line.

Create a clear relationship between costs and service

A highly attractive proposition for any internal business support function is the ability to be seen as more than an overhead cost that provides little benefit. Shared Services promised this in creating a clearly defined set of services that could be related back to a cost for delivery. Business units can often select the services most appropriate to them and see a change in cost accordingly. In this environment a view of the value of the services to the end user is accessible to the user.

An issue that has been encountered is that pricing is not always clear. Businesses are often reluctant to spend time and money developing internal charging structures and schedules that are easy to understand. The same can be said of the necessary service governance frameworks. These instinctively feel like another overhead to manage an overhead. However, they are essential in ensuring the focus of the Service Center is directed at continuous improvement and meeting user requirements.

Too frequently HR does not quantify and track its performance. It is up to the HR Service Center to develop performance metrics that go beyond cost and charges to demonstrate the value and quality they provide. A simple approach

is that of a balanced scorecard that covers cost, quality and provides improvement targets. User surveys also provide a very valuable means of assessing general satisfaction and setting improvement goals. This also sends out a very clear message to customers that you value their input and requirements, and publicly strive to meet them.

Improve service levels and quality

Centralized services and standard processes should make process execution more consistent and intrinsically easier for operators to get right every time. Improved process quality is particularly attractive in recruitment and payroll processes. Here mistakes create a disproportionately bad impression of the HR function. Whilst this is true and our comments about service improvement metrics may set challenging targets to meet, there are often real barriers to achieving this.

It can be difficult to standardize processes across business units. Tradition, 'the way things have always been done round here', unionization, employment contract requirements and the genuinely specialist needs of a unit all have to be dealt with to prevent this occurring. Clearly, where a business may have very different needs, allowances will always need to be made. For example, if one part of the business operates a telephone based customer service and the other highly skilled project based resources, the recruitment process will need to be different.

The key to change, in other circumstances, lies with a clear business case for doing so and effective stakeholder management. Where standardization makes clear financial sense the business will find it difficult to resist change. Key stakeholders, at all levels, will need to be brought on board. It is also worth selecting the right 'battles'. If a process is one where a part of the business articulates its culture (e.g. in its performance management processes) these may be best left alone and accepted as non-standard.

Work in Shared Service can be mundane and this leads to operators' boredom and errors. Many service centers have found that effective job rotation and clear progression through the career structure are essential in preventing this.

Maximize technology investments

The implementation of Shared Services is often cited as an essential platform for the real benefits of HR technology investment to be realized. The consolidated nature of the organization provides an environment where technology can really support efficient transaction processing. This is particularly true where investment is to consolidate multiple HRIS, implement ERP systems, or build employee web or telephone access to HR services.

The consulting and technology companies may see the above as a truism, but the reality can be very different. In terms of shifting the burden of transaction processing onto employees (e.g. in address changes), the actual cost savings in many businesses are very small. In addition, processes within companies often have to change rapidly to meet business requirements. This creates a need to then change any workflow and re-train staff on new processes. The real cost of this effort is then frequently ignored when the business considers the change necessary. Even when it is, the business may be frustrated by the prohibitively high costs of change, and blame HR for being a barrier to responding to the market. Furthermore, inconsistent access to technology can be a problem. Do employees have access to the web or a telephone during their working day? If not, the predicted savings will never be realized.

Tackling the above requires clear work analysis to support a business case for utilizing shared services. There needs to be a focus on finding ways to tackle big-ticket costs, not on delivering 'flashy' technology. An example may be where the investment in web access for employees to change their personal details may be substantial, but offers little return where few have web access in their working day. A better approach may be to focus on the processes less seen by employees such as entering weekly overtime payments, or areas like sickness absence recording and reporting by HR. Where this is automated via workflow, or delegated to line management (whilst few may see this technology) the savings in HR effort may be very substantial.

Case study

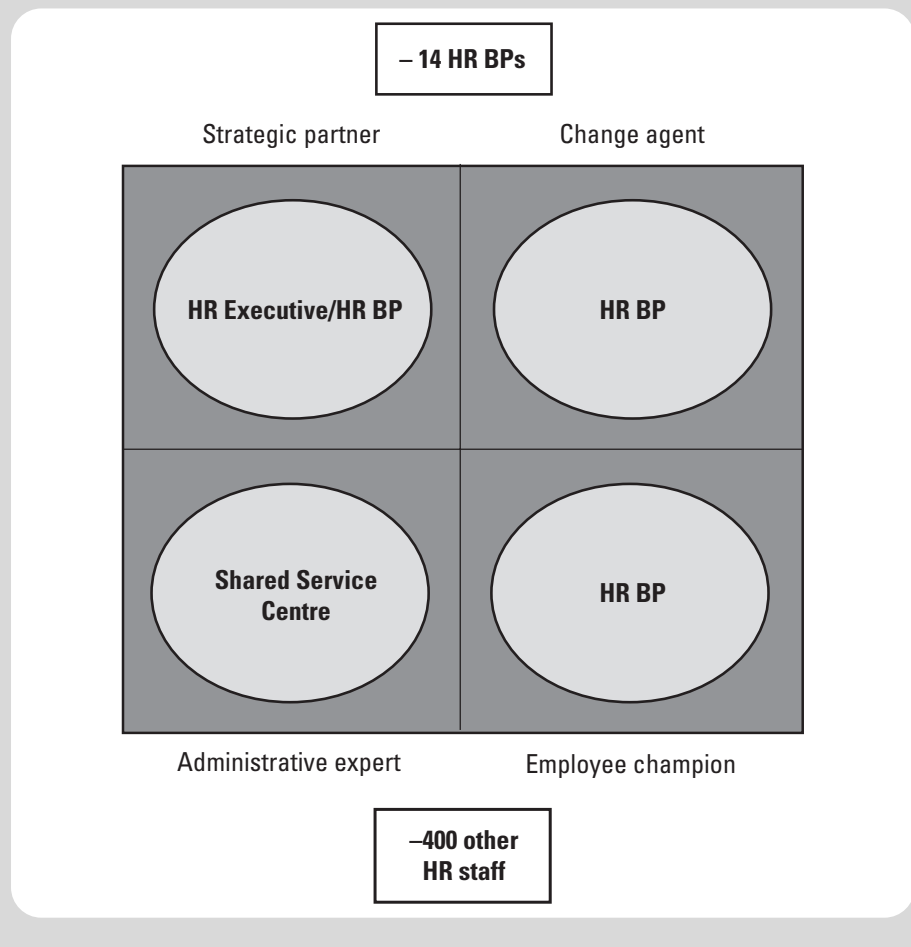
THE MODEL IN ACTION

Over the last few years Prudential UK has moved to the model described above. It currently employs c.400 employees in HR, serving an employee base of around 7,000. The climate of change that often drives the implementation of a new HR service delivery model was clear at Prudential. Just two years ago the employee base stood at over 12,000.

A review of their implementation allows us to see three key aspects of the model:

- An holistic implementation of the model brings the greatest benefits.
- The stability and control the SSC brings is unparalleled
- The business strongly welcomes the closer relationship with HR through their HR BPs

The model currently deployed can be seen below.



The HR Business Partners are a highly focused group who are supported by a geographically mobile, project based team of Specialist Support staff. These Specialist Support teams form the equivalent of the Center of Excellence. Here the CofE covers Employee Relations, Resourcing, Internal Communications and Learning and Development. They work as virtual teams wherever the business need and project arises.

The SSC is fronted by the ASK HR call center function that provides the principle point of contact for employees.

The role of technology

Supporting the SSC and ASK HR is the HR intranet which contains the key policies and processes. As a predominately office based organization this approach works with the PC literate work force who have constant access.

Implementation

During an interview Russell Martin (HR Director UK) had the following comments on the implementation of the model:

Benefits realized

- HR transactions are now standard and can be delivered anywhere
- As a result of the above, staff can be trained to deliver them to a higher standard and the processes' stability is greatly improved
- Over 90% of all Recruiting is now handled through the SSC. HR has control of this key process
- HR targets are measured against EP First's benchmark metrics to benchmark performance and set targets for improvement
- Business managers have come to include the HR BPs as part of their organization structure, demonstrating that they truly have got close to the business

Issues encountered

- *Business Partners have no budget of their own, thus ensuring they draw on the CofE teams and the SSC*
- *The approach to implementation needed to be sudden to force the pace of change. Five HR businesses were merged into one overnight*
- *Over 60% of the operational savings were made from the move to the model and not the deployment of new technology*

Chapter summary of key messages

- The 'old' HR model does not have the focus, business engagement and understanding to deliver for today's organization
- We need a model that can get closer to the business' objectives, manage employees effectively, drive change and deliver bottom-line efficiencies
- The new HR model is a holistic approach – no part can stand alone
- The new HR function is one that can demonstrate that it has control of its own business before engaging with the rest of the organization
- A new model for HR cannot be executed by HR alone, do not underestimate the role of the line manager
- Integration of the operating model elements is the key to creating value
- Innovation and creating a 'value proposition' for the business, employees and the line manager is the key to gaining buy-in and execution support
- Does your HR function possess the right people and skills to do this?

References and further reading

Arlington, Steve, Delany, Kevin, Dempsy, Jo, Matthews, Joanne and Peck, Jonathan – *The future of Pharma HR*, PriceWaterhouseCoopers, 2001.

Cheese, Peter, Brackely, Hep and Clinton, David – *The high performance workforce study*, Accenture, 2003.

Corporate Leadership Council – Trends in HR Service Delivery, 2002.

Global Human Resources – *Extract from a study around the content of HR professional roles*, 2000.

Holman, David – *Employee well-being in call centers*, Human Resource Management Journal, Vol 12, Issue 4, 2002

HR Index Benchmarks, EP-First Worldwide. 2002/2003

Richmond Events – *The HR Forum* (A conference for UK HR Directors), 2003. <http://www.hrforum.co.uk/>.

Lawler, Edward and Mohrman, Susan – *Beyond the vision: what makes HR effective?*, Human Resource Planning, 2000.

People Management, Chartered Institute of Personnel and Development, February and March 2003.

Quinn, Barbara, Cooke, Robert and Kris, Andrew – *Shared Services, Mining for Corporate Gold*, Prentice Hall, 2000.

Trubshaw, Jonathan – *Effective People Management, Helping Authorities Deliver on the 'White Paper' Challenges*, Employers Organization, 2002.

Ulrich, David – *Human Resource Champions: The Next Agenda for Adding Value and Delivery Results*, Harvard Business School Press, 1997.