Creating HR Service Delivery Success

HRO Today Forum Europe 2012

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Setting the context

- Businesses are going through significant change
- It has never been more critical that HR be highly effective at supporting business changes while simultaneously reducing its cost base
- Despite strenuous efforts, HR needs to make a more fundamental shift
- HR technology continues to shift towards SaaS (Software-as-a-Service)
- HR in the future must be more transformative to keep up with changing business needs
Understanding the requirements of the HR function requires starting with business and talent strategies

- Business Strategy
- Talent Strategy
- HR Function and Service Delivery Strategies
  - HR Structure
  - HR Talent
  - HR Process
  - HR Technology
- Governance, Measurement, PMO and Project Management, Change Management and Communications
**Main trends in HR service delivery 2012**

1. **HR is in restructuring mode to be more efficient and cost-effective:** Matrix relationships provide a governance tool while still serving business unit and geographic needs.

2. **Shared services is viewed as the key to success** for HR organizations looking to meet efficiency and cost-saving objectives.

3. **Talent systems remain the top HR service delivery issue,** and SaaS solutions are viewed as the most effective.

4. **HR technology spending remains steady** with a mix of enhanced functionality, upgrades and new implementations and the **HRMS market continues to shift toward SaaS**.
The prevailing HR model has four components, each of which contributes to an efficient and effective function...
...though the model has its challenges

Emerging Issues
- Do business partners have the capabilities needed...
  - To be credible advisors to the business?
  - To equip line managers with the required skill and will?
- Do Business Partners forsake the enterprise agenda for local/business agenda?
- Do Business Partners really collaborate with the rest of HR?

Emerging Issues
- Can the COEs actually provide best practice “expertise” at a market-competitive price?
- Do COEs respond to business need (or do they still operate from their “ivory tower”)?
- Do COEs build integrated, holistic solutions to business problems (or do they still think in “silos”)?

Emerging Issues
- How effective is HR Leadership at building a coherent HR agenda for the whole enterprise and managing to it?
- Is there real cooperation and trust between all parts of the model?
- Is there sufficient flexibility of HR resources to staff projects effectively (without having “captive resources”)?

Emerging Issues
- Is there an appropriate balance between cost and quality? Is there enough of a focus on continuous improvement?
- Does HR Shared Services still do things that are more appropriately owned by the line and employees (e.g. completion of performance reviews, checking employee licenses are updated)?
- Does HR Shared Services have operational excellence, customer focus and vendor management as core competencies?
The stage is set for something new in HR — and that “something new” will need to meet diverse needs

<table>
<thead>
<tr>
<th>HR meeting the…</th>
<th>The diverse needs</th>
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</table>
| …needs of different businesses at different “life stages” | • Mature vs. emerging markets  
• Rapid growth vs. steady state  
• Focus on market share vs. focus on profitability |
| …needs of different leadership styles and preferences | • Articulate in workforce and talent-related issues; hands-on  
• Uncomfortable with “people-related” side of business; delegates  
• Lead by making tough decision vs. lead by building consensus |
| …needs of different leadership performance measures/goals | • Delivering results for “my P&L” vs. shareholder return  
• Understanding the unique burdens that corporate overhead places on my business |
| …different priorities of different parts of the organization | • Scaling up quickly in new market  
• Preparing for retirement cliff  
• Adjusting to work shifting offshore |
### Five principles underpinning leading HR functions

<table>
<thead>
<tr>
<th>Governance</th>
<th>Establishing a formal, explicitly defined model that drives personal accountability</th>
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<tbody>
<tr>
<td></td>
<td>Making the model truly cross-functional, integrating across programs and COEs</td>
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<td></td>
<td>Allowing for segment-driven measurement and risk compliance</td>
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<td>Structure/Role</td>
<td>Establishing a dedicated function for analytics</td>
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<td>Making COEs smaller, with a more consultative focus</td>
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<td>Segmenting service delivery on the basis of business value and performance</td>
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<td>Capability</td>
<td>Developing the capability to use data to drive decision-making for the business</td>
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<td>Sourcing HR talent with cross-functional knowledge</td>
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<td>Leveraging and deploying mobile HR resources globally across the enterprise</td>
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<tr>
<td>Technology</td>
<td>Having the systems to support workforce analytics and demand management</td>
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<td>Integrating systems across functions to enable enterprise-wide solutions</td>
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<td>Increasingly utilizing emerging technologies (i.e., SaaS, mobile devices)</td>
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<td>Process</td>
<td>Having clearly defined processes for delivering meaningful data to the business</td>
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<td>Ensuring compliance with standard procedures to leverage risk appropriately</td>
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<td>Allowing for configuration of processes by service delivery segment</td>
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Transformative HR

- Programs and service delivery segmented by impact on business performance and organized around outcomes
- HR programs and resources are dictated by demand
- Few permanent HR resources
- Neither responsible nor accountable for transactions

- Focus on global deployment
- Processes in place to leverage risk
- Formal, explicitly defined governance model
- Deep analytical capabilities to enable data-driven decisions
- Measurement of HR programs drives continuous improvement

- Flexible and scalable, service delivery is segmented by businesses to meet discreet business needs
- Enhanced measurement and risk leverage tailored by segment
- Focused on enabling line managers to produce great results

- Likely requires significant changes, including realignment of the HR org design, reengineering of HR processes, redefining roles and enhancing HR capabilities
- May require a total reorganizational transformation in support of new strategic direction
- Letting go of administration often challenging for HR professionals
- Requires HR to fully abandon traditional alignment and functional areas

Letting go of administration often challenging for HR professionals
Requires HR to fully abandon traditional alignment and functional areas
Transformative HR functions will look like this…

The business uses logic-driven analytics to determine the services required and create demand for HR.

Dotted-line/solid-line reporting relationships change depending on involvement in HR initiatives.

“Brand managers”: Understand full life-cycle of employee segments and HR services required; create policy and manage exceptions.

Consulting skill set (issue identification > problem-solving).

Optimizing the portfolio (i.e., funding) of possible HR investments.

Engage external providers to bring functional expertise as needed.

Business support resources are pulled in from throughout the organization as needed for HR projects and initiatives.
While we still believe that the traditional three-circle model can be effective, usage of self-service must move to the forefront.
Key considerations

- Centrally owned: Reports directly into HR
- Globally deployed: Regional deployment of specialist resources in major region
- Use of third parties for standard offerings
- Flexible pool of resources: forming and reforming based on business needs
Focus on the Business Partner Role

Business Partners as “Account Managers” to the business

Yet…
Integrated with HR service center, COEs and HRLT

Key considerations
- Consultative services in dotted or solid-line relationships
- Articulates business needs to HR (all groups)
- Role supports executives / managers in their role of being the front-line “people managers”
- Transactional work to Service Center
- Very focused investment of time in maximum ROI areas
# Overview of key changes of the future HR Shared Services

## Technology
- Focus on self-service knowledge-based tools
- Mobile device enabled, interactive and intuitive technology
- Personalized knowledge-base and database

## Organization, Roles and Competencies
- No Tier 1: HR Shared Services handles only more complex, escalated issues
- “Network” of virtual HR Service (formerly Tier 2) team
- Service management mindset
- Direct reporting line to CFO/CIO/COO

## Governance
- HR retains influence over Shared Services through governance rather than reporting line
- Core and differentiated services
- Personal authority

## Services, Sourcing and Metrics
- Differentiated services for groups where it achieves a strategic objective
- Paperless end-to-end processes, unless required by regulation
- Focus on customer service metrics

## Globalization
- Network of SMEs at Tier 2 that focus on improvement across the globe (e.g., performance management for all)
- Local knowledge and language requirements met through technology and “network” of virtual HR Service team
Implications for HR Shared Services: Structure

"Business Services"

CFO/CIO/COO

HR Service Area Director

- Service Management Director
- Finance Service Area Director
  - AP
  - AR
  - ...

Portfolio Management

Service Integration

Employee Experience

Project and Resource Management

Employee Lifecycle

Employee Deployment

Employee Development

Employee Separation

e-Generalist

Continuous Improvement

Vendor Management

ILLUSTRATIVE
Structure and process — Reasons for changing current HR Structure

Do You Anticipate Changing Your Current HR Structure in 2012 or 2013?

- **No changes anticipated**: 56%
- **Yes**: 44%

n = 612

Reasons for Changing Current HR Structure

- Realization of further efficiency potentials: 64%
- Realization of synergies: 54%
- Quality improvements: 51%
- Cost savings: 46%
- Globalization initiative: 28%
- Change of business strategy: 27%
- Business reorganization: 26%
- Other: 8%
Structure and process — Anticipated changes to HR structure

Anticipated Changes to HR Structure in 2012 or 2013

- We will be moving to a shared services environment with HR COEs and HR business partners: 39%
- We will be bringing additional services into our shared services environment: 31%
- We will be outsourcing (some/more) functions: 26%
- We will be moving to a single HR organization for the entire organization: 10%
- We will be decentralizing HR, allowing HR to be run by business unit or geography: 6%
- We will be combining our HR shared services with other corporate functions: 6%
- We will be bringing (some/more) outsourced functions back in-house: 4%
- We will be moving away from a shared services environment: 0%
- Other: 17%

Base: those anticipating making a change n = 271
Structure and process — Delivery model features

Does Current or Soon-to-be-Implemented Delivery Model Include the Following Features?

- Some key tenants of Transformative HR structures already exist in the marketplace
- We project increased usage of communities of interest and shared resource pools in 2012 and 2013
Large organizational change must address more than just technology (or process, or structure...)

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<tr>
<th>People</th>
<th>Process</th>
<th>Technology</th>
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</table>
| - How will we organize?  
- How will we staff?  
- What competencies will be required?  
- How will we manage the change?  
- How will we communicate the changes?  
- What governance structure will we use? | - What services do we offer?  
- How will we increase operational effectiveness, customer satisfaction and financial performance?  
- What management updates will we need? How will we provide this?  
- How will we bill for services?  
- What service-level agreements will we have and with whom? | - How will we deal with employee-facing access?  
- What tools will we use?  
- Data capture  
- Knowledge management  
- Case management  
- Transaction processing  
- How will we handle employee data and back-end processing? |

**Governance**
- How will I manage the new organization?  
- How will I ensure data privacy?  
- How do I maintain proper audit trails?

**Sourcing**
- What services are core vs. context?  
- Are there better sourcing alternatives that will help us meet our business objectives? At what cost?  
- Are there sourcing technologies or services that we can implement better, faster, cheaper?

**Culture**
- What differentiates my organization from others?  
- How do we want to be perceived by internal and external stakeholders?  
- How do we want to interact with our employees and retirees?  
- What are cultural barriers to changes in HR Service Delivery that will need to be addressed?
How have other organisations tackled this?

- Activities generally follow this order
  1. Service delivery outline
  2. Process optimization
  3. Role change
  4. Technology enablement
  5. Organizational redesign
  6. Continuous improvement

What have your experiences been?
Illustrative implementation roadmap: Transformative HR

Configuring the Future-State HR Organization

**Detailed Design — HRSS**
- Activities include:
  - Appoint leader
  - Define services and work allocation
  - Determine outsourcing opportunity
  - Design team structure
  - Define and evaluate jobs
  - Determine headcount and cost
  - Define governance process

**Determine Staffing Strategy**
- Activities include:
  - Conduct gap analysis (numbers and capabilities)
  - Develop approach to assessment, development, selection and transition
  - Develop reward and retention strategy
  - Apply competency framework to new positions

**Staff HRSS Phase 1**
- Activities include:
  - Assess, select and deploy HR Shared Services staff
  - Onboard staff to new positions
  - Establish services — Phase 1
  - Establish governance process

**Staff HRSS Phase 2**
- Activities include:
  - Assess, select and deploy HRSS staff
  - Onboard staff to new positions
  - Establish services — Phase 3

**Detailed Design — COEs**
- Activities include, for each area:
  - Appoint leader
  - Define services and work allocation
  - Design team structure
  - Define and evaluate jobs
  - Determine headcount and cost
  - Define governance process

**Establish COEs**
- Activities include:
  - Assess, select and deploy specialists
  - Onboard staff to new positions
  - Establish services
  - Establish governance process

**Build HR capability**
- Activities include:
  - Assess talent
  - Conduct gap analysis with capability requirements
  - Design development programs
  - Prepare individual development plans
  - Deliver learning interventions

**Detailed Design — HRBP**
- Activities include:
  - Appoint Senior Business Partners
  - Define roles
  - Define deployment principles for Business Partners
  - Design team structure
  - Define and evaluate jobs
  - Determine headcount and cost
  - Define governance process

**Establish HR Business Partners**
- Activities include:
  - Assess, select and deploy Business Partners
  - Onboard staff to new positions
  - Establish governance process

**Redeploy HR Resources**
- Activities include:
  - Redeploy or remove resources according to phased headcount plan
  - Prepare severance packages

**Project and Change Management**
Questions

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