

Preparing your organization for a Human Resource Outsourcing implementation

How to collaborate for a more successful transition



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Executive summary

Over the past decade, many organizations have initiated some form of human resources outsourcing (HRO). Clients have chosen to do HRO on different levels according to their needs—as part of a larger transformation of their human resources (HR) operations, or perhaps a more streamlined transition to an external HR provider. Whether investigating HRO for the first time or contemplating a move to a new provider, the motivations behind HRO are varied. They can include a desire to reduce cost, attain common global HR systems, achieve service

consistency and deliver best-of-breed HR service just to name a few. However, one of the most compelling goals is to free in-house HR staff to focus on high value strategic initiatives versus lesser value back-office and transactional work.

You may be thinking about HRO for the first time, or considering a move to a new provider. Either way, planning and preparation make all the difference. No matter how compelling the potential benefits, successful transitions are measured by the selected provider's ability to leverage prior experience, along with focused planning that can curtail risk, timing and costs. A provider with more extensive global reach and deeper experience can optimize these benefits.

This white paper explores the keys to a successful HRO transition and discusses how you can achieve a near-seamless migration using the right tools and standards.

Optimizing your HRO

The growth of the global economy has encouraged many companies to investigate HRO. And for the success of any outsourcing engagement, the transition is a critical phase. Because these initiatives are often global in nature, they require close coupling among process, technology and people with unique cultural and organizational boundaries. Because of this complexity, it can be beneficial to leverage the experience of early adopters and industry leaders to help identify the key factors that typically create successful transitions.

First, successful HRO initiatives do not happen randomly. A failure to plan and integrate all dependent components of the transition from the outset is an avoidable challenge. For

example, many organizations fall into the trap of developing their communications strategy after the outsourcing agreement is signed. Organizations need to develop formal communications mechanisms before this occurs, since HR leaders and staff may need to provide data or reallocate their time to outsourcing-related tasks. To make the transition process more efficient, you should also begin collecting key internal data for benchmarking HR cost and performance.

You should plan for a transition that considers all geographies and processes, identifying dependencies, deliverables and critical paths. An essential part of the preparation includes having a toolkit and standard processes, from roadmaps to process flow diagrams to standard desktop procedures that can be tailored to your requirements and help accelerate your transition. There should be a standard transition methodology and flexible transition scenarios that enable application of relevant methodologies and tools. A seasoned HRO provider can help formulate an overall point of view and help add best practices to the mix. With these in place, implementation can be a near-seamless process with reduced disruption, documentation, time and cost.

Finally, successful HRO initiatives today offer value beyond a simple lift-and-shift model to improve contact center, employee data management, learning administration, payroll, benefits and recruiting services. A lot has happened since the early explorations of HRO, including the addition of clearly defined processes, accurate control points and standard measurements to help ensure service level commitments are met. Ideally, a provider would have the experience to take your HRO initiative to a deeper level—to refine and improve process points and

equip you with process flows, tools, aggregators, and best practices. It is important to select a provider who shows a vital interest through continual strategic investments in related technology.

A provider who has played a leadership role in refining these processes can help make sure that improved metrics are in place. Not just contractual metrics, but how a process works—for example, using a time cycle and time capturing tool to reduce inefficiencies. Historical data can be used across industries and across clients to apply best practice models, and to improve the process. This way it is possible for you to achieve optimal return on investment by identifying opportunities to help reduce key cost drivers and to improve the overall employee and manager experience.

Four steps to success

Every industry has its specific human capital needs and issues, and every company has its own culture and way of doing business. Yet after 10 years of HRO initiatives, the following steps have emerged as some of the universal keys to successful transitions. These include:

- *Step One: Capturing company-specific knowledge and culture—Identify and document not only data, operations, policies and procedures but also current company culture.*
- *Step Two: Identifying and preparing stakeholders—Identify key messages up front and understand who needs to receive them and when.*
- *Step Three: Implementing enabling technology—Identify and integrate required technology within the application environment, communications, network and infrastructure while incorporating customized reporting and tested functionality.*

- *Step Four: Migrating HR services—Enable a smooth migration that is largely transparent to the end user by leveraging documented processes. A provider that has standard processes and desktop procedures can help you more easily identify and reconcile differences rather than starting from scratch.*

When you implement these steps, you can experience the numerous benefits associated with a successful transition. With so many potential benefits at stake, you will want to carefully consider your HRO options, including selecting a provider with the knowledge to help you realize these benefits.



Figure 1: Key steps to successful HR transitions

Step One: Capture company-specific knowledge

One of the most important steps in the outsourcing process is the exchange of both explicit and experiential knowledge between you and your HRO service provider. Knowledge transfer is especially important to validate the formal documentation associated with your contact center, processes and applications to help facilitate smooth operations and optimal service.

By supplying your existing documentation, policies, procedures and processes, you provide a starting point and inform the HRO provider of the requirements for delivering future-state desktop procedures. Providers can share their knowledge of legal and statutory requirements along with time-tested best practices to factor into an implementation program. It is key that your provider not only incorporate specific functionalities and process flows, but also particulars to your culture and environment.

For example, when working with an organization that needed to implement a custom compensation solution, IBM knew to consider the unique practices associated with the European Works Councils. Requirements often differed in areas like salary and merit increases or the payment of bonuses and data privacy. Allowing for those differences, IBM enabled a smooth “go-live” process and a reduced risk in steady state that benefited the client.

As another example, when working with organizations operating in multiple geographies, the provider must consider location-specific variations in benefits and “harmonize” the policies. Through established methodologies, techniques and toolkits, an experienced provider can mitigate the risks upfront and help facilitate successful and timely delivery. The value is in the

provider's collective experience. You do not have to single-handedly provide a resolution or accept mere validation of their supplied documentation. Instead, you can rely on collaboration with the HRO provider during the transition.

By identifying processes that may be driving higher costs, such as non-value added steps, you have an opportunity to create a more optimal process design. This can evolve into establishing control points, standard desktop procedures and accelerators. The result can be more accurate employee data records that add value to the implementation program.

Often, information about company culture is most valuable when explicit knowledge is combined with more experiential knowledge. This can be seen specifically in regards to unions and agreements—only you know what is unique to your organization and culture. It may be a legal requirement in your country to allow a 30-minute break for a certain number of hours worked, but you have a separate agreement with the unions. Your service provider needs to know this information to reflect your specific company policies. Another must is using culture-specific language, such as referring to “associates” as opposed to “employees.” Knowledge of such nuances is essential, and if not applied properly, could negatively affect buy in.

Step Two: Identify and prepare stakeholders

Under the most favorable circumstances—and especially when you face challenges—you must effectively manage communications to achieve favorable results. Your HRO provider should know and understand your stakeholders and how the transition

can affect them. With this information, your provider can assist you in drafting key messages for introducing new clients into service delivery, and planning the timing of those messages.

You will want to consider the following concepts throughout this process:

1. Understand that identifying and preparing stakeholders is role based. For example, HR partners, the HR governance organization, and HR data analysts would all require different messages based on their roles.
2. Know the key messages for the end user community, the timing for delivering them and who delivers those messages.
3. Accurately anticipate pending changes and prepare at the role level by providing the framework for a communications and change management plan.
4. Know exactly which groups are going to be impacted by the standard technologies that the HRO provider implements.

Phase 1: Communications Planning

Phase 1 involves establishing the communications process. This includes identifying and analyzing the relevant stakeholders, determining the information they need and developing the communications plan.

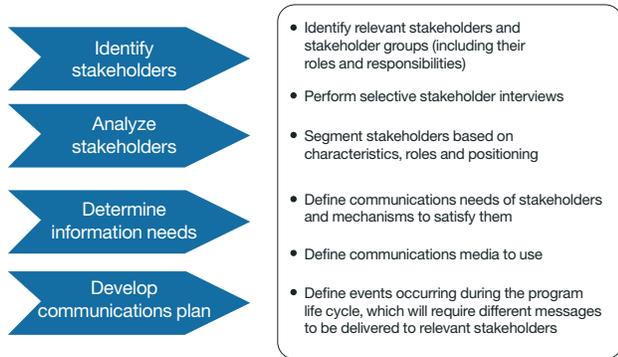


Figure 2: Stages of communications planning

Phase 2: Communications Rollout

Phase 2 deals with the implementation of the communications plan. Tasks related to the communications rollout phase include managing stakeholders, delivering the communication, monitoring the usefulness of the communication and improving constantly.

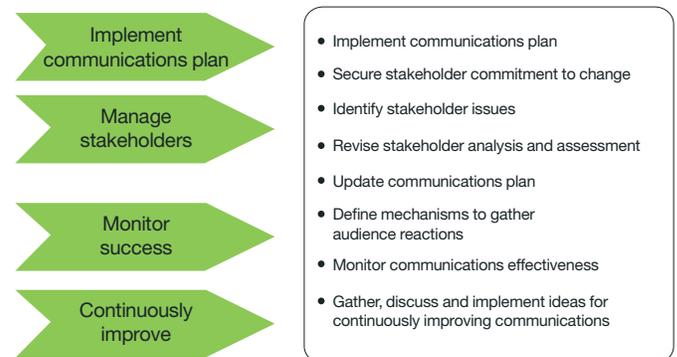


Figure 3: Stages of communications rollout

Step Three: Implement enabling technology

Is the objective of the outsourcing also to upgrade, expand or migrate to a new core HR application? Even if the existing core HR systems will be used in the outsourced state, there will be technology changes during transition. This could mean the establishment of the core operational systems that the provider can use to track and maintain customer service or the integration of third-party systems into an HR portal. Experience has shown that even the smallest technological details should be considered.

The types of employee and transactional data that should be maintained or migrated between HR management systems and third-party solution systems are similar regardless of whether they are for contact management, recruiting or compensation. This data is often required for a one-time set up and ongoing operations. Therefore, accelerators can be established to convert or interface data between client, third-party and HRO provider systems and to enable reporting analytics. As well, technology must include the human dimension—efforts such as scenario running and end user testing. Time and cost savings can be realized by leveraging existing technical documentation, development objects, testing artifacts and training material. As well, your HR provider can cultivate best practices and transition processes.

Step Four: Migrate HR services

Another important element in employee engagement is to analyze employee actions, define job roles and anticipate trends. A wealth of workforce information is already inherent in HR data warehouses and systems. An experienced HRO provider can help connect these systems. The resulting data can help you design and perform more effective scenario testing and role plays, create strategies for migrating services, and anticipate plans for change management and communications. All of this can enable your provider to better prepare for migration.

Once the provider has captured company-specific knowledge, technology must be implemented in order to migrate your current service. Next, the provider evaluates the skill attainment of their delivery resources. At this point, role playing and readiness assessments are conducted to confirm the ability to start delivering services at the expected level. A successful approach must include cutover plans and additional overall training and testing, readiness assessment and certification. Then, you can ultimately go live.

IBM and your HRO initiatives

Checklist for HRO provider

Based on our experience with hundreds of customer engagements over the past decade, we suggest focusing on these key criteria when selecting an HRO provider:

- Time-tested HRO experience gained through multiple client engagements.
- Skilled at tailoring perspectives and processes to fit your situation. Does the provider understand the importance of knowing whether this is a first transition to HRO or a transition to a new HRO provider? Based on this, how would the provider's approach differ?
- Ability to reduce HRO process complexity through implementation of standards and appropriate tools.
- A commitment to the industry. Look at the provider's investment and future strategy in research and tools developed to help facilitate a seamless process.
- Ability to reduce transition cost to clients. Improved efficiency can translate into a benefit up to 20 to 40 percent.

IBM has invested significantly in research and technology to develop a transition methodology that can result in reduced cost, risk and time for our clients. We realize that successful execution of a transition can only occur if there is a grounded and structured approach. Leveraging our technology and expertise, we have created a library of processes, assets, accelerators and components designed to address all key areas of preparation. If the transition does not have these components at a detailed level, then the value and benefits of the overall HR outsourcing implementation fall short.

A global research-based pharmaceuticals firm was in the midst of outsourcing selected HR services to IBM. These services included Employee Service Center, Employee Data Management, Staffing and Recruiting, Compensation, Learning, and more. The client had also planned a transformation and documentation of knowledge transfer and desktop procedures for the verification of end-to-end testing of their transformed portal and ERP system changes. These procedures were to be used for multiple purposes involving multiple stakeholders, including an external consultant.

IBM met the challenge to work with stakeholders to integrate and document these procedures. Fifteen global processes and 26 country requirements needed to be captured, including country-specific forms, knowledge base pages and associated documentation. This resulted in 355 desktop procedures. Our approach included:

- **Review and consideration of the global and local design documents**
- **Conducting knowledge transfer sessions to fill in gaps and provide insight**
- **Numerous quality assurance sessions**
- **Providing resulting documentation to our client for end-to-end testing**

IBM had an arsenal of standard processes and procedures that helped to accelerate this process, as well as rigorous quality methods and controls, and we were able to work with this client to capture their own particular variances. This upfront attention to detail and quality resulted in substantially reduced go-live risk. All service targets have been met, and over 90 percent exceeded, across all functional areas.

Robust assets and tools

IBM offers a point of view and time-tested best practices and tools to facilitate a smoother transition, including the Human Resources IT Reference Architecture Kit. This tool sets out a standard solution framework and is intended to be the starting point for all new engagements. IBM also has standard interfaces for our third-party vendors. Where possible, we have helped capture key assumptions and indicated any impact to changing those assumptions.

In addition, IBM offers Percolator, a web-based dashboard tool that is designed to be lightweight, flexible and user-friendly. Acting as a single repository to engage in collaboration and identify services in scope, this tool can help to eliminate version issues with status reports, making access to the reports easier to deliver and control. It can also facilitate meeting flow and enhance executive visibility of transition status.

These kinds of assets have helped enable IBM clients to reduce their overall development effort timeline and budget by helping to provide a consistent, clear technological approach. As well, they benefit from a tool that has been leveraged and refined through numerous client engagements.

A flexible, collaborative approach

Our end-to-end delivery model offers a more flexible approach that takes your particular requirements into consideration. IBM helps build a solid foundation for business process transformation through:

- **Joint communications with the client organization**
- **Development of a change management plan addressing the needs of all stakeholders**

- Upfront agreement on implementation plans, resources and scheduling
- Joint sign off before transition to the delivery centers
- Strong governance model that identifies key roles and responsibilities related to issues management and risk management

This process can facilitate greater predictability and assurances that IBM's solution can help meet clients' long-term requirements. Dedicated transition teams from IBM and the client organization pair together to help identify inevitable surprises and find solutions that can improve the business case and viability of the deal. Our teams work with you to define core requirements by country, process, technology, cost, possible obstacles and variations from the standard. This can all help lead to increased advantages related to cost, efficiency and competition from the outsourcing initiative.

Conclusion

As the HRO industry matures, the provider community needs to move beyond cost savings to even more compelling reasons behind outsourcing. HRO providers should facilitate the ongoing consistent delivery of best-in-class, value-add services that can transform your HR organization.

As a result of transition, many organizations gain a clear view into operational costs. New data collected throughout transition and steady state gives clients a more holistic perspective of HR and can enable them to better manage their HR function and

talent pool, and can ultimately lead to an improved employee and manager experience. By transitioning to an HRO provider, the organization can gain time to focus on strategies in key areas such as a maturing work force and managing talent pipelines.

IBM has a time-tested track record of HR transition and transformation success, leading practice process design, and deep HRO implementation expertise. We are better positioned to help identify risks in advance and successfully mitigate them to keep your transition on track and on budget. We have over 7,000 HR delivery and implementation professionals and 2,500 Human Capital Management consultants around the world to provide organizations with global reach. IBM has already developed standard processes and procedures that help accelerate the transformation process. Our clients benefit from our flexibility to assist in broader ways and to enable them to meet business objectives by using our rigorous quality methods and controls. They are able to use our outcome measurements and satisfaction surveys to monitor success with contractual commitments. Whether you are new to HR outsourcing or looking to migrate from a current provider, IBM can offer you a time-tested method to transition your HR processes that is designed to reduce risk and optimize the benefits of outsourcing your HR operations.

For more information

For more information about IBM capabilities that support the retained HR organization or IBM solutions for HR outsourcing, please contact your IBM marketing representative or IBM Business Partner, or visit the following website:

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