



Highlights:

- One size does not fit all
 - HR administration can be undertaken in the business
 - Employees now expect multiple channels to HR
 - It's not just about ERPs anymore
 - HR needs to drive up its internal reputation
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The long tail of HR transformation

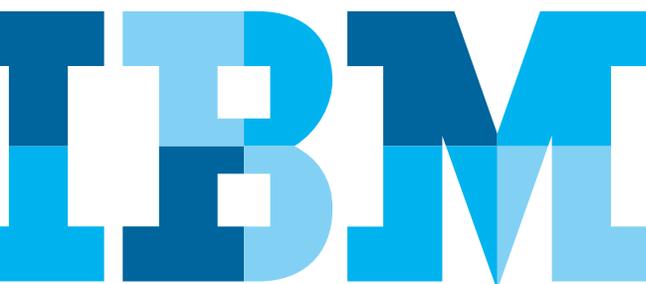
How HR leaders can create more value from shared services

Whilst HR shared services have created the opportunity to reduce the cost of HR service delivery, some organisations have yet to see many of the promised improvements in the service itself.

Implementation of heavily formulaic and benchmarked HR delivery models has meant that the specific needs of particular employees and managers have often been ignored, resulting in them becoming disengaged from HR. Such disengagement now threatens to trigger the re-emergence of shadow HR activities within business units and erode the inherent economies in the HR operating model. These threats clearly illustrate the fragility of newly transformed HR functions and point to the importance of nurturing them towards operational maturity.

Through experiences gained from working on strategic HR initiatives with many leading organisations, it has become increasingly apparent to us that HR transformation has a long tail. Attention has shifted from dealing with high transaction volumes to driving out real and recognisable value. Significant work is often needed to complete the transformation that most organisations have started.

The challenge lies in optimising the service according to the differing needs and preferences of the customers of the HR function, without losing the cost advantages gained through a standardised shared service approach. These differing demands may be a result of seniority, job role or geography, and may encompass customers' requirements to interact with HR via a wider choice of channels, or to use best of breed solutions for specific functions.



IBM's 2010 Global Chief Human Resources Officer Study "Working beyond Borders" indicated that HR leaders are focused on two equally important goals — the need to drive growth and the need to maintain operational efficiency. A key element of the operational efficiency goal is to address the delivery gaps and shortcomings that have become evident following the initial waves of transformation.

With the best of intentions, in our experience the early adopters of tiered HR service delivery remained very true to the prescribed transformation model and method. The individual needs of specific populations were (for the most part) ignored on the premise that 'one size fits all'. Although many organisations designed exceptions to this premise, especially for their senior leadership populations, flexibility in the model rarely extended to accommodating the needs of other customer groups. The prevailing sentiment was that to accommodate one would mean having to accommodate all. Consequently, many transformations successfully drove out costs, but failed to offer a consistent and universal improvement in service quality. Unsurprisingly then, service quality is now a major challenge facing many transformed HR functions, and approaching this challenge means revisiting some of the key design principles of early HR transformation theory and practice.

One size does not fit all

The benefits of differentiating service provision between customer populations have only been acknowledged relatively recently, and there is now increasing recognition among organisations we work with that a number of factors can suggest that a particular customer population requires a different type or level of HR service from the default offering. Senior leadership teams are by no means the only group that typically fall into the category of needing tailored service levels.

Within the specific context of individual organisations, the practical benefits of segmenting HR's customer-base have become better understood, and delivery models are now seen to differentiate customers on the basis of several factors, including seniority, business function, job role, work hours and work location. In all cases, and irrespective of whether this has meant providing high touch or light touch HR, segmenting the HR customer-base and providing differentiated services have become integral to the design of the HR delivery model, rather than a leakage of the model.

We have seen a particular example of HR customer differentiation in the Financial Services and Consumer Goods industries, where commodity traders are often provided with high-touch HR to allow them to maximise their time spent on revenue-earning activities. This type of high-touch HR service is increasingly referred to as a "concierge service" or "white glove service".

A different example of HR customer differentiation addresses the frowned-upon practice of senior managers giving their personal assistants access to their manager self-service tools so that they can approve employee expense claims or holiday booking requests on their behalf. Handing over passwords will be a breach of most companies' security policies. The development of 'Assistant' user profiles resolves this issue by allowing personal assistants sufficient system access to approve specific employee requests, but not enough to view personal or sensitive data. If this design feature forms an integral part of the overall HR operating model, rather than a workaround, it ensures compliance with corporate policies.

HR administration can be undertaken in the business

While the shared services model has centralised most HR administrative functions, a limited amount of administration can be justified at business-unit level when there are genuinely local processes, gaps in supporting technologies or particular language needs. Where this is the case, the administrative support role should once again be built into the overall HR delivery model design at the outset, rather than left to evolve under the radar and beyond management control.

Moreover, the administrative support role needs to be kept quite separate from the HR Business Partner role, to avoid the risk of diluting strategic HR roles with administrative HR roles. After all, in governance terms the administrative support role is aligned to the HR shared service organisation rather than to the HR Business Partner organisation.

Employees now expect multiple channels to HR

Significant advances in mobile personal technologies, such as tablet devices, have increased the means by which employees and managers can now potentially contact and interact with HR. HR now needs to enable these new channels of customer contact, allowing its customers to engage with them in the

way, time and space that suits the customer the best. This can only increase customer engagement with HR and improve process adoption.

HR's challenge is, therefore, to fully understand its customers' requirements in this area and to refine its delivery model to open new contact channels. HR needs to embrace the next generation of customer contact technologies to increase customer engagement – interestingly HR has the opportunity to lead other business functions along this route.

It's not just about ERPs anymore

As the prime enabler of HR transformations, Enterprise Resource Planning (ERP) technologies defined many of the early transformations to such an extent that the IT requirements outbalanced business requirements, leading to claims of the 'tail wagging the dog'.

This situation has now reversed, and the HR transformations we have been involved with are now more business-driven and increasingly aligned to HR strategy. Interestingly, and maybe not all together coincidentally, this reversal has been accompanied by the rapid emergence of non-ERP tools for some HR processes, including recruitment, talent and learning. The popularity of these tools has been driven by a combination of rich functionality, ease of implementation, ease of use, a (perceived) lower cost of ownership and increased sourcing options. As a consequence of these changes, the role of the IT department in HR transformations has subtly, but significantly changed. Their focus is now less about software selection and more on integrating best of breed tools in a coherent and managed systems landscape.

The challenge raised by the popularity of best of breed tools is to then satisfy HR customers' expectations of having a single user experience as they self serve, which explains the significant increase in the importance given to the design of the employee portal, the user interface and the overall user experience.

HR needs to drive up its internal credibility

The very purpose of HR transformation has been to reposition HR as a strategic partner within the business and to make the function more value-adding, suggesting that HR should now be investing time in the areas where it can add most value. Perversely, evidence from some of our clients suggests that greater management attention is being given to delivery of the lower-value administration and transactional services, rather than to delivery of the high-value business level services – and this is undoubtedly contributing to the well documented under-performance of many HR business partner communities.

HR leaders we have spoken to acknowledge that they need to move out of their comfort zone of routine delivery of cyclical initiatives and efficient processes. HR needs to drive up and sustain its internal credibility by providing business insights that make direct contributions to the bottom-line. It needs to build and promote its reputation across other functions. Real HR value-add can only be achieved by the HR Centres of Expertise and HR Business Partner communities, as these are HR's true flag bearers.

HR shared services have been a critical first step in driving out inefficiencies and reducing costs, but many organisations can realise additional benefits through:

- Segmenting their audience and providing more flexible service levels when business needs dictate
- Introducing functionally richer employee self-service, supported by a change management programme that heightens awareness and promotes adoption.
- Improving the content, quality and user experience of the HR portal, to promote this channel as a primary source of HR-related knowledge.
- Increasing the choice of contact channels by which employees can engage with HR, to drive adoption and to prevent shadow HR activities in business units
- Providing best of breed tools to support employees' requirements.

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