

HR Transformation

The evolution of the HR model

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Agenda

1. Background and the drive to transformation

Understanding the model and how to get it to work

Where to start on the journey of an HR transformation?

Origins of the 'Ulrich Model'

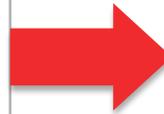
- HR emerges into the modern organisation with the formation of the first 'Personnel Department' in NCR in 1901
- Development of the discipline influenced by the early management theorists and civil rights (Mayo, Owen, Fayol etc.)
- Late 80s Ulrich starts researching HR from the perspective of customer satisfaction and skills required in HR
- 1988-1992 Ulrich Establishes the 'HR Role Framework'
- 1997 publishes 'HR Champions'
- 2005 publishes 'HR Value Proposition'
- Currently ranked as one of the 50 most influential management thinkers by HBR



The drivers for HR transformation in business today

Business pressure to...

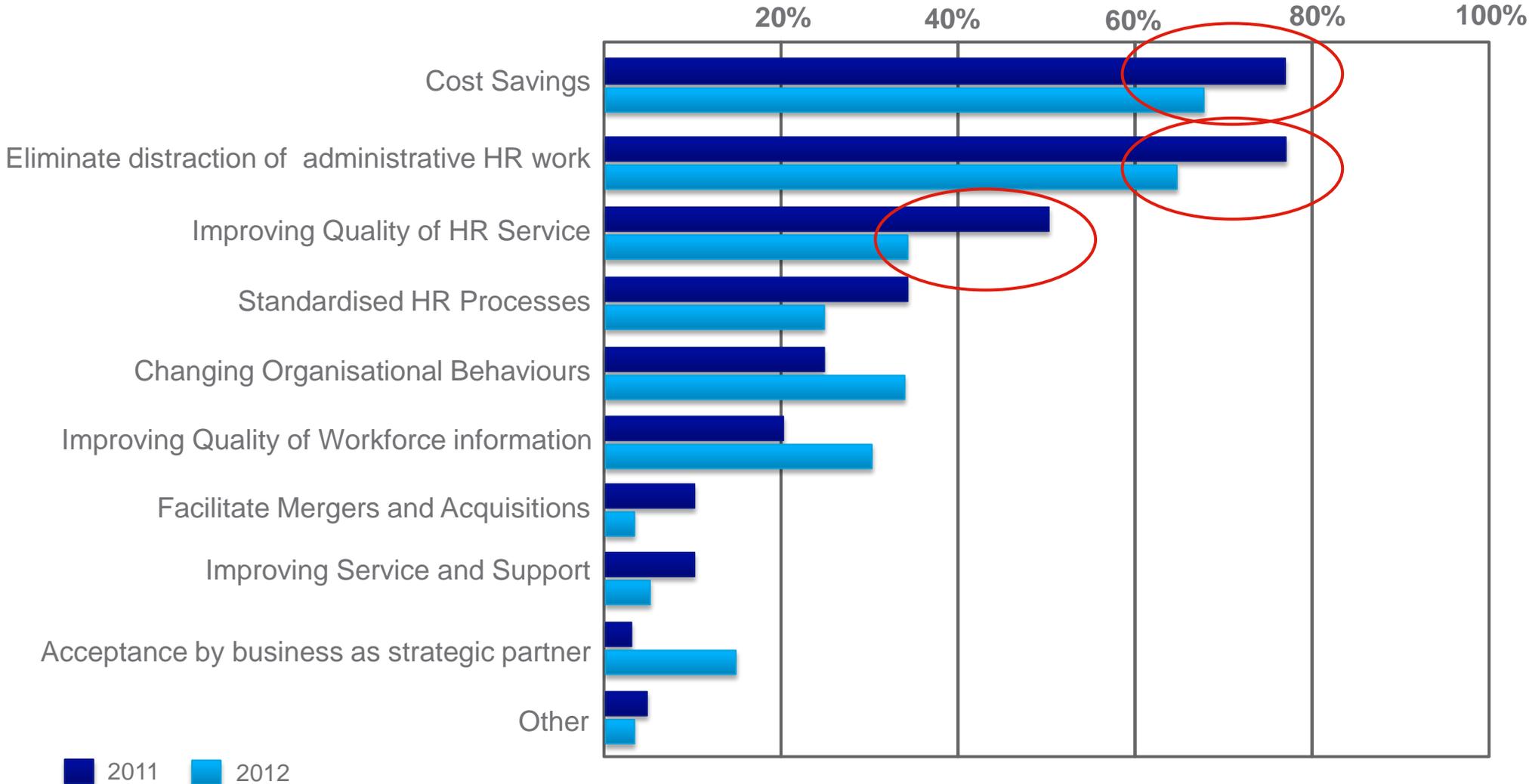
- Adjust HR strategies to high cost / low cost markets
- Simplify HR policies and standardise HR processes
- Enhance leadership
- Build and manage capabilities globally (e.g. mobility) and locally (e.g. Emiratisation)
- Drive higher levels of productivity and performance



HR Function Impact...

- Re-deploy HR resources to support business performance and improvement
- Ensure co-ordination and consistency through common processes and approaches across functions or national/cultural boundaries
- Create meaningful management information – enterprise-wide; by group or business unit
- Reduce cost through greater operational efficiency and economies of scale

Year on year the focus on HR cost and HR service quality continues to become more pronounced



Source: HRO Effectiveness and HR Service Delivery 2012

Progress to becoming a 'Strategic Partner'



Agenda

Background and the drive to transformation

2. Understanding the model and how to get it to work

Where to start on the journey of an HR transformation?

There are some fundamental and common issues that arise when implementing the model

1. Understanding the boundaries in the model and the role of each part
2. The role of the business partner and how to ensure that it has credibility
3. Sizing of the business partner role
4. Activities of the Centres of Expertise
5. Structure and contribution of the shared services
6. Perceptions of individual contribution and place in the HR hierarchy
7. Ownership of the end to end service – who owns the customer experience

Understanding the Model

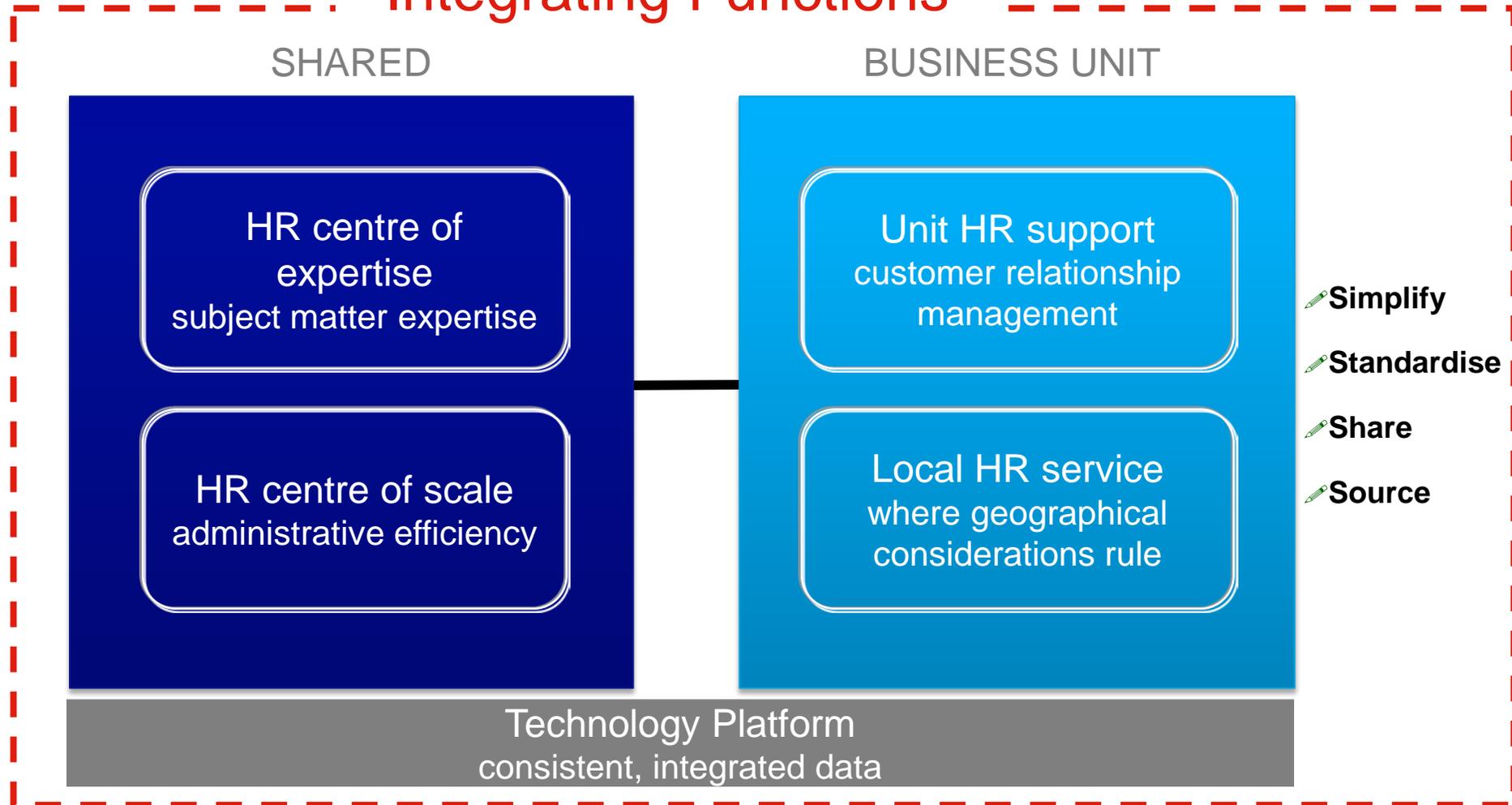
The design needs to be simple and rigorously applied

	Business Partners	Centres of Expertise	Shared Services
Role	Operational and strategy support	Knowledge / Skill Leadership	High quality cost effective services
Responsibility	Define	Design	Deliver
Scope	Site or Business Unit	Global	Regional

Understanding the Model

Requirement for commitment and adherence the principles of specialisation

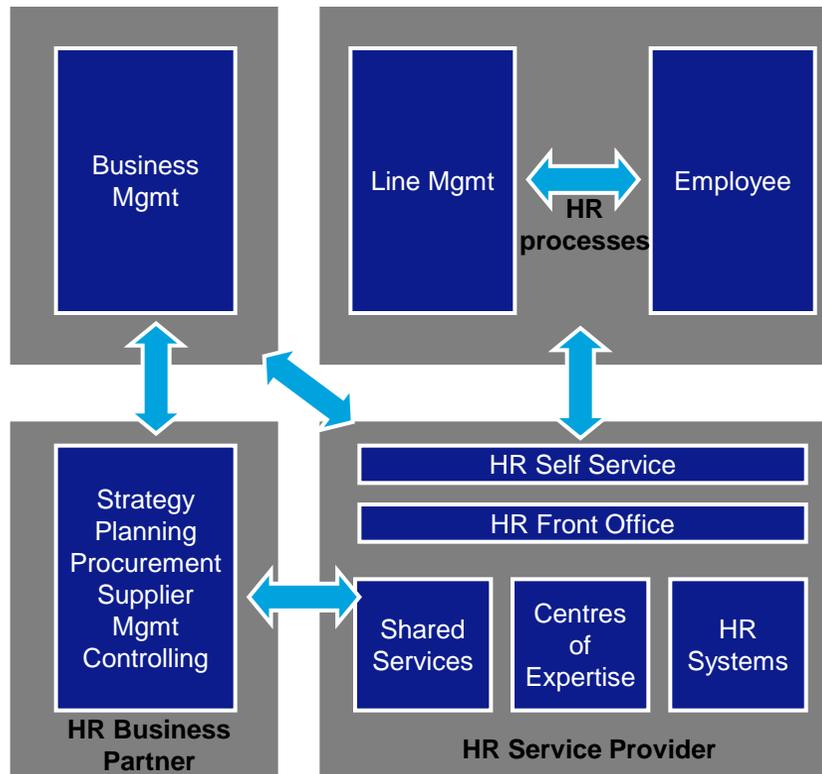
Integrating Functions



Understanding the Model

What does the best practice model of HR look like?

Best Practice HR model...



... and on top of this a Group HR role:

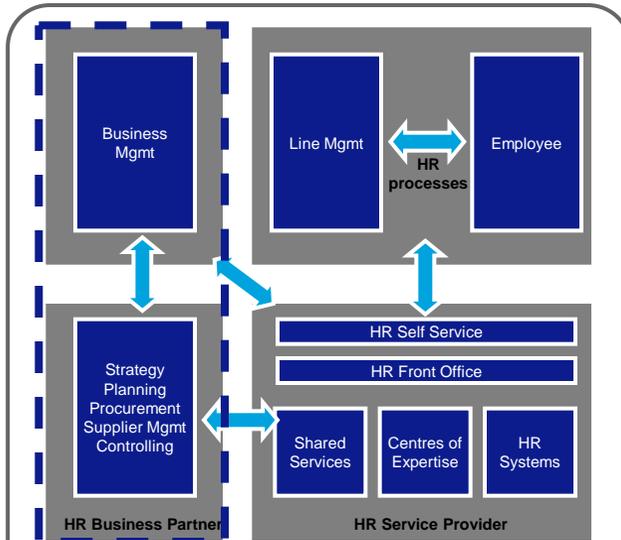
Group HR with responsibility for:

- Overall HR strategy
- HR policies and process standards
- Group HR initiatives.

Understanding the Model

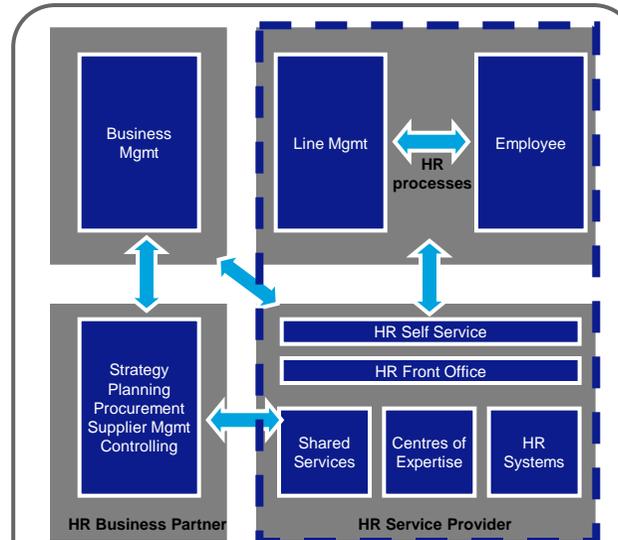
Clear roles and responsibilities across operating relationships

The HR Strategic Partner perspective



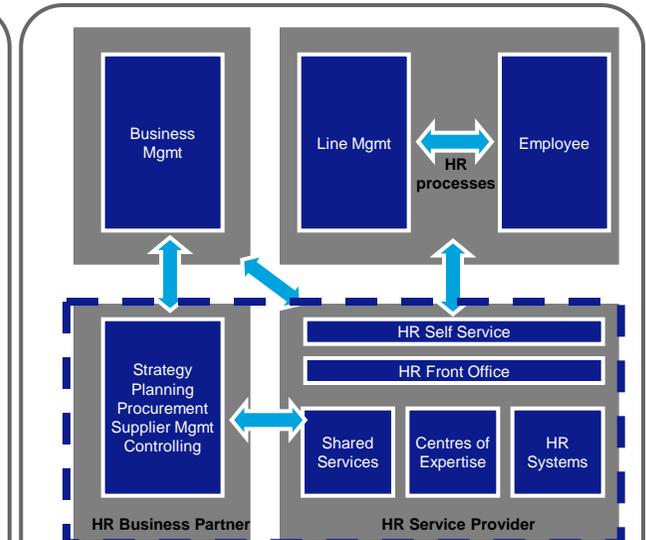
- Deliver HR input for strategic analysis to business management at group and business unit level
- Translate strategic choices into HR consequences
- Translate strategy into operational HR actions plans at group and business unit level
- Define HR service needs
- Monitor progress and deliver HR management reporting.

The HR Service Provider perspective



- Deliver excellent service at lowest possible costs
- Deliver agreed services and products
- HR service provider can be in-house function or be outsourced
- Performance criteria and standards are in both cases the same. Internal service provider is considered and managed as if it is an external party
- Sharing at site, business unit and group level.

The HR demand manager perspective



- Translate service needs into requirements for internal and external HR service providers
- Develop service catalogue: Standardise demands
- Select HR service providers and procure services
- Develop service level agreements
- Manage the service management organisation and manage supplier relations
- Monitor progress service delivery and deliver HR management reporting.

The Role of the HR Business Partner

Example the approach that Unilever took to address the challenges

Unilever's Model for Business Partners

- Create generic Business Partner roles with clear scope of responsibility
 - Local administration not performed by central shared services – mainly position management
 - Organisation Design – headcount, changes, exceptions affordability
 - Organisation Effectiveness – talent management, succession, learning, leadership development
- Avoid creating 'junior' and 'senior' Business Partner roles
 - Only one role of business partner, not senior and junior roles – avoiding a second class role within HR
 - Drive out duplication of administrative work that must be done in the shared services team
- Flex the model but maintain the principles
- Demands of each role are different
 - Demands of the role vary based on workforce and span of control
 - More capable business partners are given the bigger, more difficult and more critical roles
 - Size of the roles based on affordability and benefit to business, not ratios.

The Role of the Centres of Expertise

Combine policy and product development which is released in to the business

- The Centre of Expertise develop can develop policy, process and services for the likes of:
 - Recruitment
 - Development
 - Leadership
 - Training
 - Pensions
 - Payroll
 - International
 - Occupational Health
 - Policy & Strategy
 - Reward
- However, increasing focus on combining topics to have fewer COE teams



- COEs tend to be scoped around core global business areas that are designed by the COE and delivered to the business
- There is a geographic/business unit dimension to some organisations. Some processes, such as talent management, can be global. Others are more local, such as compensation and benefits.
- Process related people have tended to move towards the service organisation, with the Expertise Teams retaining people that work on policy.
- COE teams can contain HR Business partner / regional process leaders and technology process leaders

The Shared Service

The shared service is fundamental to making the model work as a whole

Target resolution rates

<5%



Tier 3 (Consultant)

- Forecasting
- Policy/program design
- Social studies
- Critical incident support

Center of expertise

5-10%



Tier 2 (Specialist)

- Interpretation and problem solving
- Program delivery
- Advice and council

20-40%



Tier 1 (Customer service associate)

- Predefined answers
- Basic complex inquiries
- Full range of HR support
- Transaction processing

Service center

40-70%



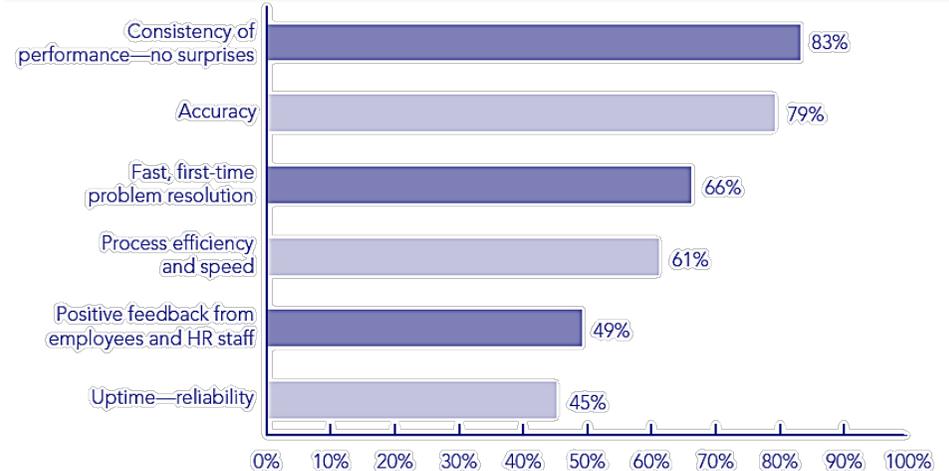
Tier 0 (Self-service)

- Predefined answers
- Basic complex inquiries
- Transaction processing

Treating the HR function as if it were an external service provider helps ensure clear purpose and accountability

- Set clear expectations and service level agreements between customers and HR
- Reinforce the separation of roles within the HR model
- Encourage the use of robust contractual management tools e.g. service catalogue

Ranking of service requirements for HRO providers



Source: Fidelity investments 2010

HR Service Catalogue Customer segmentation		
Customer cluster	Definition of customer segment	What matters to these customers
1 Bank X employee users	Associates and managers within all Bank X business units and subsidiaries Employee users will access HR services via self service / e mail / telephone or face 2 face contact	Availability, speed and reliability of service Access to relevant data and accuracy of response Ease of interaction with HR, access to self service HR's ability to resolve issues first time Service quality
2 Bank X business users	Bank X managers and executives across all Bank X business units and subsidiaries Business users predominantly require strategic advice and employee data from HR	Accuracy of data, speed of response and availability of service Service quality and knowledgeability of HR contacts Ability to meet business deadlines
3 HR 2 HR	HR Business Partners and specialists in the SSC who provide HR services to users and business customers. To do so these internal HR customers require data, tools and policy and process expertise	Ability to meet deadlines and project management capability Data accuracy and data integrity Innovation in the design of HR solutions Ability to use best practice and benchmarking data
4 External	External customers include Ministry of labour, Emirates Institute of banking and Finance, Emission authorities, GPSSA External customers require data and compliance / audit capabilities from HR	Compliance with statutory and regulatory requirements Ability to meet deadlines and statutory reporting requirements Accuracy of data and compliance with data formats and requirements

4. Manage pay and reward								
RACI analysis								
Service owner: SSC	HR Processes	Process owner	Business partner	Centre of expertise	HR Service Centre	Third party	Performance Indicator	
Service description: Maintaining the competitiveness of ENED in the employment market through effective benchmarking and innovation in pay, reward and incentive management. Delivering payment and reward solutions that recognise individual effort and organisational performance whilst ensuring compliance to payment schedules, timing and regulatory requirements. IT and data requirements: Data will be required on compensation issues including market norms, trends and employee expectations. Accurate payroll and employee data will be required to run payroll. Business requirements: The HR community will need to understand the business requirements in terms of budget, employee satisfaction with reward and recognition objectives of ENED	Compensation planning	CDE	R	A/R		R	Alignment of ENED compensation plans to organisational goals / budgets and market trends	
	Pay review - do the COE still have the polling seat?	HR BP	A/R	C	R	R	Completion to deadline Budgetary compliance	
	Manage incentives	COE	R	A/R	R	R	Alignment to employee expectations and market norms	
	Manage recognition (set up project)	COE					N/A	
	Compensation data	HRSC			A/R		Accuracy of compensation data	
	Year end process	HRSC			A/R	C/I	Reporting accuracy Completion to deadlines	
	Run payroll	HRSC			A/R	C/I	Accuracy of payroll On time payroll delivery	
	National pension	HRSC			A/R	C/I	Accuracy of pension data Compliance with payment deadlines	
								1) 100% new salary details embedded prior to payroll once received from clients 2) Payroll and benefits market data annually updated 3) 100% compliance with external reporting requirements 4) Total line for pensions = 0 5) Business targets met for incentives plan (sales, behaviours etc)

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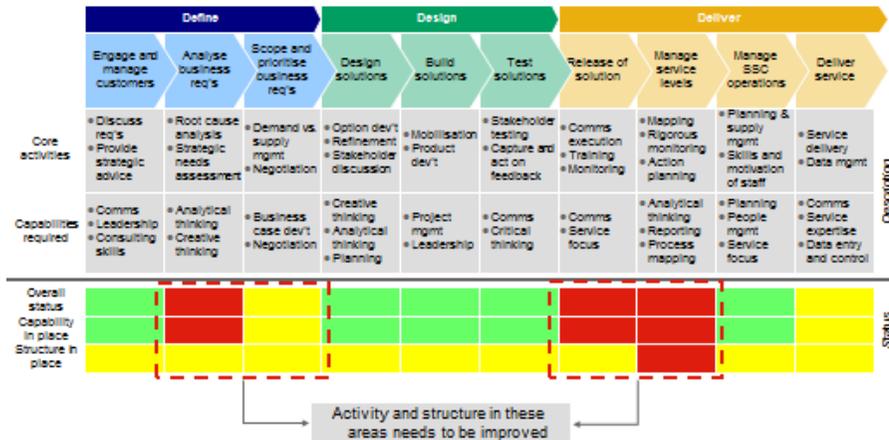
3. Where to start on the journey of an HR transformation?

Seek first to understand before trying to be understood



ENBD show areas of good practice in covering the value chain, but there are particular concerns around parts of design and delivery to address

HR value chain coverage – current status of activity



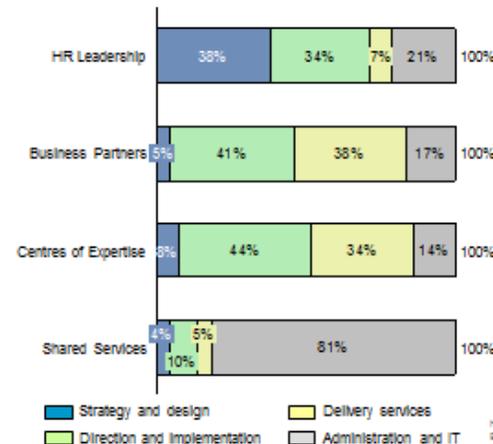
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Though each of the HR Units is doing largely what is expected in terms of core activity, there is evidence of significant role overlap at all levels

Time Allocation by Activity Grouping by HR Unit



- As expected, the Leadership team is largely strategic in nature, though 21% of their time is spent on Administrative tasks - most notably systems and data management
- Most of BP's time is interacting with the business (green segment) and talent acquisition (yellow). Very little of their work is at the strategic end and 17% of their work is purely administrative
- COE's focus is on direction and delivery as expected, though they still carry a significant administrative burden and don't play a big role in organisational strategic thinking
- Shared services is focussed on administration as expected, though has scope to focus yet further

HR Leadership = Those reporting to Ramiz
 Business Partners = Those reporting to Maryam, Hessa and Omar
 Centres of Expertise = Those reporting to Shafiq, Nelson, Charles, Matreya and Prashanth
 Shared Services = Those reporting to Farzeen



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In closing

"However beautiful the strategy, you should occasionally look at the results."

Winston Churchill



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