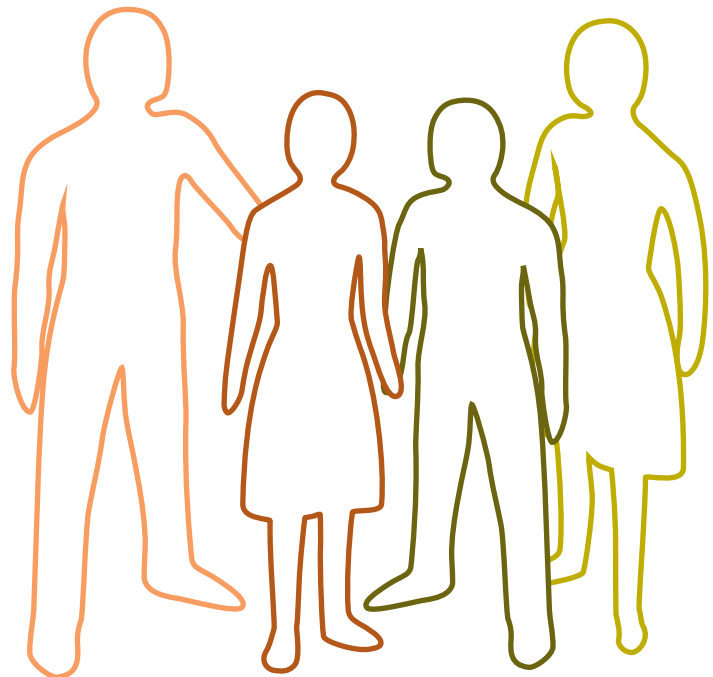


Setting up HR shared services in local government

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Introduction

Through combining dispersed HR administrative activities, shared services can deliver cost and quality benefits for councils.

Shared services can be delivered in-house, outsourced to an external provider or executed in partnership with another organisation.

Though likely to be a focus of government public sector saving, shared services needs careful design and excellent implementation.

Challenges in its interface with the rest of the HR function and delivering a joined up service to customers need to be met if shared services is to work well.

Good governance arrangements are essential in partnership models.

During the last ten or more years shared services has formed a key part of the transformation of HR across all sectors of the economy.

Adoption in local government has been slower than in the private sector and in some other parts of the public sector. This is set to change. HR shared services offers the opportunity to obtain service cost reductions through achieving economies of scale by bringing together disparate activities into one place.

The government's Gershon Review commended shared services as a means of saving on back office costs and the government has subsequently encouraged public sector organisations to consider this sort of approach.

With a further squeeze on public expenditure inevitable, the government may become more directive in effecting cost reductions, specifying not just the goals but also the means to achieve them. Since introducing shared services is regarded as a success in the private sector, there will be even more encouragement to copy its practice.

It should be said that, whilst shared services brings many benefits, implementing it is not easy, and there are particular challenges to introducing it into local government.

What is shared services?

The idea behind shared services is that activities performed locally by specialist teams are re-engineered, streamlined and then combined so that these teams 'share' the service delivery solution. So, there is a common provision of services with (in theory) the nature of the services determined primarily by the customer.

In practice, most shared service operations have been introduced as a cost saving measure. As a result, they have taken on more the form of centralisation than customisation of services, that is, the processes are designed and delivered under the auspices of the corporate centre of the organisation.

In the private sector, shared services centres may be located close to the main customer group or some distance away in a cheaper location. There may be more than one service centre to cover a wide geography.

Councils are more likely to have one centre and that to be within their own boundaries, but where councils share a centre (see the section on key decisions) it could be located elsewhere, as it could be were it to be outsourced.

What is included in the HR shared services varies considerably from organisation to organisation. The principal components are the undertaking of administrative tasks and the provision of information and advice through intranets and call centres. Some companies add consultancy/project services or individual casework support.

The main activities of the shared services function include:

- payroll changes (on/off/variation)
- employee records administration
- relocation services
- recruitment administration
- benefits administration (including flexible systems and share schemes)
- company car provision
- pensions administration
- employee welfare support
- training administration
- absence monitoring
- management information.

Not all these services are included in every shared service centre. Some are outsourced. Others are left with operational delivery, for example, recruitment administration might sit the recruitment team or training administration with learning and development.

Services centres usually provide information or advice to managers and employees via the corporate intranet, telephone and email. The corporate intranet would hold basic HR policies and procedures. Helplines are supposed to be restricted to interpretation of these documents or dealing with non standard problems. More complicated issues are escalated to a more experienced or skilled operator or to the relevant person in a centre of expertise.

The key decisions

There are some critical decisions that have to be taken at an early stage in designing a shared services operation.

Is shared services a good idea?

At one level pulling together administrative activity in one place makes a lot of sense for any organisation wanting to be efficient (saving on workforce costs) and effective (deploying skills together). However, the full value only occurs if you have administrative activity dispersed by business unit and/or by location. Thus shared services is more appropriate within large, complex and geographically spread councils than it is in small, single site organisations. For the latter, shared services only makes sense in combination with others. Indeed, many authorities that are already sharing services have found that significant savings are only made if there are sufficient partners with whom to share.

Should you work alone or in partnership?

There are number of options to how shared services are set up in local government.

- 1 Entirely in-house
- 2 A county council in combination with district councils
- 3 Adjacent unitary, metropolitan and county councils clubbing together (including districts or not), perhaps in a regional configuration
- 4 Physically separated councils (of whatever sort) combining, usually through having a shared technology platform
- 5 Linking together with other parts of the public sector, especially Primary Care Trusts in health
- 6 Outsourced provision

This section concentrates on options two to five. Outsourcing is considered in the next section.

The most cost effective models are those that bring together the largest number of administrative centres to offer the greatest economy of scale. However, these benefits are reduced if there are significant differences in HR policies and practices, because more resource is then required. Differences in local government tend to be exaggerated, given a common organisational focus and shared tradition in HR policies and practices. Private sector companies operate shared services transnationally showing what can be done.

More problematic are differences in technology. This is why it makes sense to look for a partner that uses the same HR information system/ payroll platform. However, part of the savings that come from bringing councils together can go into a new technological infrastructure. Alternatively, one can examine the feasibility of integrating the various forms of technology.

The biggest challenge is likely to be the governance of joint arrangements:

- Getting political agreement to sharing, especially with other councils led by different political parties
- Deciding on the form of the shared services – is it a separate organisation, one hosted by a partner, jointly owned, etc.
- Agreeing the aims of the sharing, what is the reason to do this?

- Resolving employment questions – is it a virtual team (with retained contracts with existing employers or transferred to new contracts in a new organisation or to a partner organisation)?
- Determining the finances – budgets, cost/revenue sharing, etc.
- Putting in place mechanisms for running a joint service especially to resolve different HR priorities
- Getting agreement on the key performance indicators, as views on acceptable standards may vary.

Make or buy?

Do you outsource the whole of your shared services operation, retain all of it in-house or subcontract particular elements of it?

If you outsource, either wholly or partially, you need to answer the following questions to your satisfaction:

- Can you see how an external provider will offer you a service at least as good as you can deliver internally and still make a profit?
- Is there a sufficient market of providers to deliver the service you want such that competition will keep down the price?
- Do you see an opportunity to acquire technology (for example, manager self service) that you cannot finance internally? If so, will that technology be compatible with any retained systems?
- Are there particular skills/expertise you do not have in house (or it is too costly to be retained) that an external provider can offer at a reasonable price?

- Can you set up a contract that allows the drafting in of extra resources to meet peak workloads? Can you be confident that these extra staff will be competent to meet your needs?
- Can you ensure that the service provider will integrate their services with the retained HR organisation such that the customer sees a seamless service and that learning passes easily both ways between internal HR and the contractor?
- How straightforward is it for you to specify in some detail the service standards you would expect now, with the flexibility to adjust them should your circumstances change?
- Is there evidence that the provider has delivered a similar service elsewhere in local government, or possibly elsewhere in the public sector, to the satisfaction of that organisation?
- Will you have the skills in place to effectively deal with the contractor? This would include initial negotiation, performance monitoring and contractual change.

Single or multi-functional shared services?

Most organisations have started with single functions (HR, finance, IT, procurement) setting up their own shared service operations, but after a while the question gets asked as to whether it would be better to have all administrative activity in one place, irrespective of these functional differences.

There are a number of arguments in favour:

- It should maximise the cost reduction benefits.
- You could have one call centre with one phone number and one service centre saving on accommodation, giving customers a simpler and more integrated service.
- There would be a single management team overseeing the administrative activity. Not only do you save costs, but also you can task them with focusing on the customer experience – again helping reduce unnecessary overlaps or filling in holes in service delivery.

The arguments against are:

- How much practical integration will there be? The activities are generally very different in nature, and the overlap is limited. Procurement has nothing in common with HR. There is an argument for greater integration between payroll and HR records and this could be achieved by putting both together in HR shared services.

- There will be no sensible resource sharing because the knowledge and skills required to execute the work are very different. You cannot switch a finance person to an IT call centre, or vice versa. Similarly, a finance administrator could not easily do procurement administration without training. There is the usual challenge with multi-skilling: how much investment do you put into training people for work they only occasionally do?
- The benefit to the customer of a single service centre is illusory. Ringing the single number means that you just get re-routed to the individual service functional desk. So you have longer to wait. This would be acceptable if the caller was unsure as to which call centre to contact, but most people would be clear as to which function dealt with what.

Some private sector companies have investigated a much more radical customer centric approach by looking at a life cycle model. The basis here is that employees have needs during the joining employment phase, the in-service phase and during exit. Administrative services could acknowledge this fact by delivering together the necessary services:

The idea is that the service delivery is grouped around these phases, probably in a virtual way, not least for confidentiality and security reasons. The benefit to the employee of a one-stop shop is obvious.

| Joining | Working | Leaving |
|----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| Pass Desk Phone Contract Season ticket loan Sports club membership Onto payroll Personal record | Performance appraisal form Change of address form Training record Health certificate | Return of laptop Exit interview Termination letter Pension forms |

What is the change sequence?

You need to decide in what sequence to introduce structural change that delivers shared services. Do you do it before or after systems change, and before or after process change, or concurrently?

Some organisations take the view that you need to create a new organisational structure in order to drive through changes to processes, that is, you need people in place, committed to making the new form of service delivery work.

Other organisations think that the place to start is the purchase of a new HR information system. Its functionality specifies the sorts of processes that are needed and in what form. Once the organisation does this process modernisation, it will be clearer how best to structure HR, both the numbers of staff that will be necessary and the organisation of roles.

Those that favour reform of processes as the initial change action take a similar view that this should be done before restructuring, but believe that processes should be defined first before deciding on any investment in technology.

The commonest approach is the concurrent one that recognises the inter-dependence of structure, systems and processes and tries to effect change in all areas simultaneously (or at least in one integrated project).

The box below shows a summary of the advantages/disadvantages of each approach.

| | Pros | Cons |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| Structural change first | <ul style="list-style-type: none"> Ensures that people are in place to make new approach to HR work Ensures change is pushed through | <ul style="list-style-type: none"> Multiple change waves Unclear structure design |
| Systems change first | <ul style="list-style-type: none"> Alignment with technology No wasted design effort | <ul style="list-style-type: none"> Tail wags dog Unnecessary design |
| Process change first | <ul style="list-style-type: none"> Gives platform to new organisation Bottom up change | <ul style="list-style-type: none"> No ownership of change Unclear structural fit |
| Concurrent | <ul style="list-style-type: none"> Emphasises interdependence One change | <ul style="list-style-type: none"> More complex to deliver Longer to complete |

Shared services and wider structural change

Within HR

Effective HR transformation is unlikely to be achieved through simply launching a shared services centre.

Many private sector companies have found that whilst introducing shared services can make HR a more efficient, it may not become more effective without other changes to the way it is organised.

The service delivery model most favoured comes from a US academic called Dave Ulrich. The so called 'Ulrich' model has three legs to the HR function:

- shared services that deals with all administrative matters and handles basic customer queries
- centres of expertise where deeper knowledge in technical areas of HR lies (for example, reward, resourcing, learning and development, etc.)
- business partners who support departmental/divisional/directorate decision making on people management matters.

The aim is to allow business partners to deal with the more strategic people management issues without being burdened with questions on HR administration. Centres of expertise can guide business partners or managers both in policy design and implementation within their subject area.

So the importance of having a shared services operation is that it deals with all the administrative activity, leaving other HR colleagues to concentrate on operational support and strategic contribution.

So by comparison with the Ulrich model (which has shared services at its core), the other possible HR structures have the following advantages:

- A single HR team may be easier for customers to access, but because they are covering all HR activities, there is a danger that effort mainly focuses on short term administrative and operational work, neglecting long term strategic issues.
- HR teams for each location or business unit may be simple to design and operate, and again fit with customers preferences, but, it not only suffers from the above problem, it is expensive in the duplication of administrative effort and lack of resourcing flexibility.

As part of wider corporate services

Other parts of corporate services, especially finance, IT and procurement, may also be considering introducing shared services. An important question is whether the council goes for a big bang approach with all these functions moving together, or whether one takes the lead on a deliberately path finding way so that other functions follow using the learning of the lead function. Of course, if a multi-functional shared services centre is proposed then this becomes a migration question. See the section on multi-functional shared services on page six.

Arguments about timing relate to both the council's capacity to change – resources may be overly stretched – and customer capacity to absorb change.

Other relevant organisational change

Some councils have already moved to call centres, helpdesks and administrative teams in other areas of their work without extending it to the corporate functions. Organisations should learn from these early applications of the principles of service 'consolidation' and should be aware that customers and those working in corporate services will have formed views on their effectiveness. Thus if a service call centre is regarded as a success then the introduction of an HR call centre will be much easier. Conversely, if the view is that those first line responders in the call centre add very little value, then this experience should be taken into account in the design of the HR service delivery model.

What are the potential benefits?

The primary goal of most shared service operations is cost reduction, but quality improvement is another potential benefit.

Savings can be achieved through:

- Fewer numbers of HR staff because of improved cover arrangements and reduced duplication of tasks
- Rationalising the amount of accommodation through the co-location of services
- Improved operating processes producing fewer errors and rework
- More effective procurement through increased buying power.

Quality benefits are seen in:

- More professional service delivery with greater consistency and accuracy
- Better awareness and deployment of best practice
- Faster processes and quicker turnaround times
- Working to standardised (best practice) processes
- A more explicit customer focus
- More accessible, user friendly services
- Improved information and/or support especially to dispersed customers.

There are also advantages to the HR function in introducing shared services:

- Giving the function a more strategic, less administrative focus
- Offering greater cost effectiveness and added value
- Greater devolvement of responsibilities to line managers
- Creating self-help culture.

Some of these savings (such as process modernisation) could be achieved without shared services, but experience has shown that it often requires structural change to force through other improvements in processes and practices.

The creation of shared services often puts HR administrative activity onto a more commercial footing with a greater awareness of costs and delivery targets being frequently embedded in Service Level Agreements (SLAs).

Greater resourcing flexibility offers the possibility of extended opening hours, helping those not working on 9-5 office contracts. Also the private sector has used savings from introducing shared services to invest in automation, thereby allowing tasks to be transferred to managers and employees, making them more self-reliant. Managers do not always welcome this.

Challenges to be faced

HR shared services can present a number of problems from different perspectives.

Customers

Rarely are stakeholders given much **influence in the design** of the service delivery model: they are presented with a finished design. Customers may feel that they have little choice in or control over the service they receive. Far from the 'user is the chooser' (as early advocates of this model hoped), most shared service operations give customers a '**vanilla**' offering so that costs can be saved to the greatest possible extent.

Generally service centre staff are expected to work to common protocols and operate standardised policies and practices. This severely restricts the way in which they interact with customers with the complaint that they are much more attached to fulfilling their protocols than helping the customer.

Given that customers usually think their work area or certainly directorate is different in its problems from another, this uniform approach to handling their questions is often resented. **Customer needs may also genuinely vary**. A manager of a self motivated group of professionals may have fewer calls on HR than the manager of a direct labour force. The service delivery model deals with them the same without offering anything extra to the hard pressed manager.

As **managers become more sophisticated** they are less happy using a call centre because they get frustrated having to go through the escalation steps when they know that their problem is serious and complex. They resent re-explaining it to each layer of the call centre hierarchy.

Some of shared services users have been unhappy about the **physical absence of onsite HR advisers**. Especially in cross organisational partnerships, these staff have often been relocated to remote offices and, not only can managers/staff no longer pop in to see them, but they complain that the advisers have lost the knowledge of their needs.

Because of HR cutting numbers of staff and withdrawing from supporting various people management activities (like training needs analysis or recruitment), **managers** can feel themselves **unsupported** without the time or skills to perform many of these tasks to what they feel is an adequate standard.

Within HR

The new HR structure separates out the so called transactional from the transformational work so that skills are deployed in an efficient manner. The issue that arises is that this separation can easily become **fragmentation**: the left hand not knowing what the right hand does. This is because, if you are not careful, the shared services, business partners and centres of expertise operate too independently of one another. Problems uncovered by one team are not communicated to another team. No one has a sense of the complete picture, only partial sight of it.

The use of escalation procedures should ease this difficulty in that the trivial is dealt with quickly by a call centre but the more complex is passed to an expert, who then can inform the business partner of the more important. However, the definition of 'complex' or 'important' is often not agreed within HR, or by the customer.

Worse are **boundary disputes** within the HR team over who does what. This is because too little time is spent on role definitions and an assumption that these things will sort themselves out in practice. The risk is that problems fall through the cracks in the service because nobody takes responsibility or the opposite – every team tries to help.

Arguments over **roles and responsibilities** can quickly become a blame game. Take, for example, the launch of a new HR policy is deemed a failure. Is this a failure of design (centres of expertise), of implementation (business partners), of customer support (call centre) or of administration (service centre)?

Staff in HR **are often resistant** to the introduction of service centres and even more call centres because:

there is a sense that they lose internal status being relegated to this work
they feel deprived of the opportunity for work variety

there is a sense that administrative work is devalued through this process
they may be subject to job cuts

in outsourcing there is a potential transfer to a new employer

an impersonal service might be created, when they signed up for lots of human contact

there is excessive attention to targets, costs and commercial aspects of the work

it could cause disturbance to career paths, making it harder to move up the ladder to more senior positions.

These concerns can manifest themselves in low morale during the change process and in high applications for severance. This has led many private sector organisations to employ staff with a customer service, not HR, background in these roles. Like many jobs of this kind, **high turnover** can be a problem.

Technology

Good technology is essential to ensure shared services works effectively, because the central hub relies upon the spokes in the organisation either entering data directly (via manager self service and employee self service) or supplying HR with it.

Problems with IT include:

- The newly installed kit does not work as intended (for example, too slow, too many breakdowns) requiring extra work to be undertaken by the fewer staff employed (numbers having been cut to justify the investment).
 - There is still a reliance on either a range of incompatible in-house IT systems (for example, payroll and records or e-recruitment and records) or a mixture of unlinked in-house and outsourced services. The same stretching of resources occurs.
 - There is a reliance on managers, employees and the different parts of HR to input data in a timely, accurate and comprehensive manner. Often there is little understanding of how vital this task is or the use to which data is put. Poor quality data leads to inaccurate management information.
 - The introduction of not very intuitive manager self service systems or information systems that exasperate managers especially if they feel these tasks have been 'dumped on' them by HR.
 - There is an over automation of some processes that leads to inefficiencies (people use email and telephone to supplement automated processes because they do not trust them) or customer irritation ('I want to talk to a person not a machine on this sensitive issue').
-

Questions to ask

Other sections set out the advantages and challenges of shared services, in this section we alert lead members, chief executives and line managers to the questions they should be asking about HR shared services, the issues to focus upon and things they should be concerned about.

Lead members

If you are the cabinet member responsible for resources and/or HR, you will want to know whether the HR function's administrative services are being managed in the most efficient and effective way.

You could ask the HR lead to demonstrate the position through benchmarking their performance against other similar organisations.

If you do not currently have HR shared services within the council or with other organisations, you could ask why not and see whether the answer is consistent with points made in the sections on key decisions and potential benefits.

If you receive a proposal to introduce shared services, you might ask the following questions:

- What benefits will this shared services proposal achieve? Which are guaranteed and which depend on its successful operation?
- What investment will be required? Where will the funds come from?
- Are you proposing wholly in-house shared services, an outsourced shared services (wholly or partially) or a partnership with other councils (or other organisations)? Why have you chosen the particular route? How do cost savings compare?

- What are the risks and how will you manage these?
- If a cross organisational partnership is proposed, what governance processes are in place to deal with the inevitable differences between the partners? What control will we have as members?
- Are you setting up HR shared services independently or along with other corporate services such as finance, IT and procurement? Why have you decided to do this as a stand alone or joint initiative?
- Where are you setting up your shared services centre? Is it going to be in a single location or dispersed? If the latter, are you confident that you are going to work as one team? Are you going to be located in the most suitable accommodation from a cost and resourcing perspective?
- How will you ensure that all the promised benefits are achieved?

Chief executives

If you are considering a proposal to introduce shared services, there are both generic and specific questions to ask depending upon the nature of what is suggested:

All proposals

- What is the business case for change? What are the objectives of the exercise? What will your proposals do to reduce costs and enhance service?
- What investment will be required? Is this in technology that will bring later savings? Will new, more suitable, accommodation be required?
- What consultation have you conducted with managers? Do they support the proposals? If opposed what is the nature of the opposition and can it be assuaged?

- What size of job cuts do you expect and will that be achieved by voluntary or compulsory severance? Will you need to recruit to fill gaps?
- Is your HR team supportive? Apart from fear of job cuts, are there other reasons for their objection?
- What is the trade union reaction? Are they wholly opposed? Will they try to stop the changes? If so, would they get support?
- How will you know whether the change has been successful? What measures will you use to judge its performance?

In-house shared services

- What are the arguments in favour or against single service structures as opposed to cross functional structures? Have you consulted the heads of the other corporate services to hear their views and plans?
- Is the HR shared service going to report into an HR director or be a stand alone entity reporting into corporate services? Are there any disadvantages to HR shared services staying within the function?
- Have you considered a stand alone operation, perhaps as a profit centre?
- Will there be a call centre and will this share any technology or resources with other functions?

Outsourcing

- Is there a mature market for external provision of these services? Are you sure you can get the work done at a competitive price?
- What savings or service improvements are you expecting? Are there other advantages to outsourcing you are looking for?
- Are you planning to change the service configuration – expand or contract it?
- Have you looked at the interface with the remaining part of HR? Are you confident that customers will get a seamless service?
- Do you know whether existing staff will transfer across to the external provider? If not, how will you ensure continuity of knowledge and expertise?
- Do you have the capability to manage the contract?
- Have you examined the risks of the service failing in third party hands? Have you got contingency plans?
- Will your contract provide for flexibility in the volume and nature of demand? How will the need for service changes be handled, and at what cost?
- Are their contractual penalties for service failure and incentives for excellent performance?
- How long is the contract, and are there break clauses in it?

Partnership models

- How does a partnership approach stack up in cost/benefit terms against in-house or outsourced model?
- Have you examined a range of possible partners, inside local government and outside?
- How much do we know about the motivation of our partners? What benefits do they see in sharing? What objectives do they have? Are they the same as ours?
- Are all the other potential partners fully signed up to this idea? Are their potential political issues below the surface?
- Would it be better to trial partnership working with a joint approach to a single service (say on recruitment) before committing to a full blown cross organisational service centre?
- Will the shared services centre be hosted by one of the partners or will a separate entity be created?
- Will the staff remain employed by the original council or will they be transferred to the new body, through TUPE or by secondment? Have you considered the pros and cons of these different approaches?
- How will the shared services be run? If there is a governing body, who will be represented? How will disagreements between the parties be resolved?
- How will costs be allocated and benefits spread? Will there be a charge out system - per head, per item of service, per activity?
- Where will the services be located? Will current staff have to relocate or accept redundancy? Are these costs factored in to the change proposal?

Line managers

- What changes will there be to the services I currently receive?
- Will I still get support from HR with recruitment, training needs analysis, workforce planning, etc.?
- Will I have to contact HR in a different way from now on? Will I have to phone or email to get assistance from HR? Will there be any opportunities for face to face discussion?
- Where do I go if I need help with a difficult, individual case (long term absence, disciplinary) or a collective employee relations problem?
- Who in HR will look after my interests? Who do I go to if I am not satisfied with the service?
- Who do I tell those that I manage where to go to for help?
- Can I be assured that manager self service will work effectively, and be time saving not time wasting? Where can I get technical help from?

Getting it right

Here are our top tips for successfully introducing and running shared services:

Start with clarity on the big decisions

- Be absolutely clear on the **aims of your shared services** and establish your business case accordingly. Cost reduction will inevitably be a primary goal but we suggest giving proper attention to, and investment in, quality enhancement. Ensure the executive team buys into this concept and is prepared to defend it when challenged
- Before proceeding **build a 'base case'** of your current costs, resources, activities and levels of customer satisfaction. Many of these can be effectively benchmarked. This information should be in the business case, building the argument for change. They are also invaluable in allowing subsequent performance to be tracked.
- In deciding whether to have your service centre or call centre **in house or outsourced** weigh up the cost advantage over the short term and long term, and consider service quality against the price on offer. Do take into account the need for flexibility to adjust services in the light of organisational, HR or systems changes. This applies to costing the options and, if outsourcing, to the contractual provisions.
- Carefully decide on the **sequence of change**. Making the structural adjustment first may be necessary to drive change forward, but without attention to processes and systems, it will probably fail. Do not cut HR resources until you are confident that processes have been improved and fundamental system implementation has worked.

- Find the most effective and efficient means of **delivering quality services**. This might be through a shared service centre, an e-solution, devolvement to line managers or via local HR managers. Be pragmatic not dogmatic as to which is the best route for the particular service.
- Whilst making use of communication technology to keep a disparate team well informed and able to access common data, aim for the highest possible **co-location of staff**, primarily for reasons of maximising the chances of sharing and learning.

Undertake proper consultation and communication

- Ensure that your **customers understand the business objectives** for shared services introduction. Consult with them on the change but recognising that some changes are essential whereas others are open to discussion.
- Recognise that HR has a number of **different customers** with different needs, for example, senior management who determine policy direction, line managers who may purchase services, employees who will consume services, their representatives, external bodies, etc. Do not pretend that in satisfying one customer you have satisfied them all. Also recognise that not all business units will want the same service. Aim to tailor your offering wherever possible. This may mean standardising some activities, whilst allowing scope for customisation on others. But make these decisions in the light of the underlying cost imperative.

- Understand the **anxieties within HR** in this transformation. Be very careful not to signal that administration is unimportant and needs to be 'got rid of'. Instead, emphasise the vital importance to HR of getting the basics right. In selecting for administrative or call centre roles balance between HR knowledge, process skills and customer service aptitude. How that balance is struck should depend on how HR is configured and the people management competence of line managers.
- Don't forget to clearly **communicate HR processes**. Customers need to know how they work. Invest time and effort in using a variety of media in getting your point across. Use what suits your organisation best – prompt cards, e-alerts, booklets, presentations, videos, etc.

Specify quality standards and processes

- **Set goals for the shared services** function. Give high level attention to the monitoring of services and reporting them to stakeholders. Specify the key clients and develop credible measures to determine performance. Service levels, customer feedback, costs and productivity are key.
- Spend some time seeing how your **HR processes fit together**. Re-configure HR processes to fit with the outputs to the customer. Do not get stuck with structures rooted in history or ones that fit the producer's rather than the consumer's needs.

- **Devolve responsibilities to line managers** with the proper authority in appropriate areas, but ensure they are properly trained and have positive support from their HR colleagues through advice, helplines or written guidelines. This may well mean taking the process of devolvement gradually.
- **Automate** where possible because it makes transactions cheaper and quicker to deliver, but recognise that phone service and even face to face are still more appropriate in some cases. Look at workflow, telephony, scanning and other technologies to try and take the mundane tasks out of processing. Integrate systems where cost beneficial to do so. But be careful to ensure that the technology delivers as expected.
- Ensure all in HR and in those using self service understand the importance of **data quality**, but explain the use of the data to reinforce the point. Set up systems to check on non compliance and feed back to those in default the impact of their failures. Work towards having high quality management information by publishing pertinent facts that might be invisible to senior management (for example, absences by business unit, by contact with the call centre on harassment/bullying).

Create the right HR team

- Make sure that you **select service centre managers** with the necessary capability (for example, in service management, contracting and performance improvement). Do not appoint those who are either resistant to the new concept or will fail to adjust to the new role.
- Describe the **different roles** in shared services and other parts of HR sufficiently clearly that they are understood within HR and by customers. Specify escalation procedures and interfaces (for example, work transfer) such that staff know when to hand work over in a proper manner.
- Put a high premium on **team communication** both internally within them but also across them. Use various means (meetings, newsletters, e-alerts) to keep colleagues in touch. Also emphasise internal learning firstly within the service centre or call centre so that there is understanding of what others do. This gives a better customer service and resourcing flexibility. Secondly, communication is important across HR to give a more integrated service.

- Understand that the **nature of the work** means that there will be boring, repetitive activities to be undertaken within a shared service centre. Either automate them out or ensure that through task rotation people have a variety of things to do. Avoid locking people into narrow, dull jobs – this is a recipe for high wastage rates. Develop creative approaches to job swapping within the shared services centre, between it and other parts of HR and even between the client and contractor organisations (in a partially outsourced environment). This can give the employee job variety and better career experience needed for development.

Allow for service development

- Be prepared to **adjust the service delivery model as it matures**. This may be through giving more choice in service use, but it may be in upskilling the call centre to handle more sophisticated calls.

Measuring success

Most private sector shared services are very closely monitored and their performance measured against key performance indicators. These are often reflected in service level agreements between the service centre and the customer.

Most measures emphasise **process** performance through such indicators as turnaround times or call waiting times, duration and content.

Some measure **quality**, for example, error rates or process compliance. These overlap with measures of internal **efficiency and productivity**, for example, being on budget, the proportion of calls escalated, cost of recruitment per recruit, ratios of shared services staff to total number employed.

Then there are **customer** satisfaction measures obtained through surveys or 'how was it for you' questions following interaction with the intranet or call centre.

Outcome measures are harder to use because it is difficult to connect administrative inputs with definable business outcomes.

This tends to be easier where individual casework is part of the shared services centre, as ability to solve difficult cases may mean fewer appearances in employment tribunals, lower absence or greater wellbeing leading to higher productivity.

Consultancy activity too can be tied into the outcomes of the projects they support.

Preparation by HR for a shared services introduction

There are a number of essential steps for HR to take before launching an internal HR shared services. These are:

1 Make sure your senior managers are committed to the change

You need the initial support in principle from the chief executive and members, if appropriate. This only needs to be of a high level nature, setting out the reasons why shared services is right to introduce (against alternatives) and the design process. The objectives of the exercise should be established at this point.

2 Set up a proper project

Get the necessary internal resources and determine whether you need external consultancy support. Develop a project plan with the usual task list, critical paths, risks, milestones and so on.

3 Establish the cost and quality of your current service

After examining the range of what HR does in transactional activity, you must find out the cost of the existing service delivery model, especially the number of staff involved. Activity analysis is helpful to break down expenditure (and time) by the work components. Performance metrics on the current service can be supplemented by views on its strengths and faults from your principal customers (managers and employees). You can do this via short survey, supplemented by individual interviews. You could also set up a customer panel, which is useful both to hear views now and later in the design phase.

4 Establish the capability of current HR staff

Examine the strengths and weaknesses of the current team against the skills profile you will need in the new service. This can look at their HR knowledge, previous experience, functional skills and behavioural competencies.

5 Assess your technology and your processes

Find out where existing problems lie and what needs to be done to improve the situation. For technology, this might mean looking at functionality, reliability, ease of use, connectivity, cost, etc. For processes, the number and nature of links in the chain (and whether they all add value), extent of standardisation, degree of end to end integration and focus on the employment event.

6 Design your structure

Decide how shared services fits in with the rest of HR and the wider organisation and where it should be located. Take a view on whether particular activity should be outsourced. Cover reporting lines, the number of posts, roles, responsibilities and relationships. Specify what should be transferred to managers. Establish the desirable knowledge, skills and experience for each job and the cost of running the service in this way.

7 Test your design

The detailed design should be tested with your HR colleagues and customers to see whether your ideas appear to be workable. Run workshops to role play how common processes would be managed in the new model. Feedback from these soundings can help you refine your design.

8 Get sign off from senior management

Present the plan to the management team in order to:

- confirm the objectives of the review, for example, to make the HR function more efficient and effective
- restate the reasons why it is being undertaken, for example, to reduce expenditure on HR but simultaneously improve the quality of HR delivery

- specify the options considered and the preferred option, for example, shared services is proposed rather than creating mini HR departments for each business unit
- indicate the benefits of the change, for example, a 20% reduction in HR costs but the introduction of standardised HR processes based on good practice within the sector
- clarify the risks of moving to a new model, for example, the possibility of new technology failing or of insufficient bespoke support to individual business units
- emphasise the fit with other business changes, for example, the general move towards cheaper, more standardised services across the support functions of the organisation
- specify any investment needs and how they will be paid for, for example, in a new HR information system or employee self service model.

9 Initiate formal consultation with employee representatives

This may be a legal requirement if redundancies are involved, or under a local trade union agreement there is an onus on you to explain the proposed changes.

10 Implement

Manage the process of implementation. This involves considerable communication inside HR and with the rest of the council on the nature of the new service delivery model. It means selecting and appointing staff to the new structure. There will be training for HR and wider education of customers. Technology may have to be installed and tested. Process maps may need revision and any introductory issues need to be addressed. Follow through, including measuring whether the outcomes and the potential benefits have been achieved.

Where to find more information

Websites

IDEA's web pages on shared services and collaboration cover the employment relations issues:
<http://www.idea.gov.uk/idk/core/page.do?pagelid=6210975>

EQUATERRA, an advisory company in business transformation, writes articles on shared services and HR transformation:
<http://www.equaterria.com/The-Library/By-Function/Human-Resources-104.html>

Public Services People Management Association (PPMA) has a set of web pages on HR transformation available to PPMA members
<http://www.ppma.org.uk>

HROA has articles and case studies on outsourcing
<http://www.hroassociation.org/>

CIPD has a range of materials, including fact sheets
<http://www.cipd.co.uk/subjects/corpstrtg/general/hroutsourcng.htm>

Articles listed below can be found in the archive sections of Municipal Journal, Personnel Today and People Management
<http://www.localgov.co.uk>
<http://www.personneltoday.com>
<http://www.peoplemanagement.co.uk>

There are a range of other sources of information on consultancy websites that concern technology and shared services (for example, SAP, IBM, Oracle, NorthgateArinso), outsourcing (for example, Ceridian, Hewitt, Accenture, Alsbidge), consultancy services (for example, PWC, Deloitte) and benchmarking organisations (for example, Hackett). Many have good 'white papers' and interesting research studies.

Books/articles

Cablis P (2010) HR shared services – the missing links, *Personnel Today*, 27 January

Buttress C (2009) 'Simplify, standardise, share', *Municipal Journal*, 24 November

Hibberd G (2009) Centres of attention, *People Management*, 27 August

Berry M (2009) HR outsourcing and HR shared services in local government, *Personnel Today*, 24 August

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Pickard J (2009) 'Calling the shots', *People Management*, July 2

Anon (2008) From Internal Service Provider to Strategic Partner, McKinsey, Fall
http://www.mckinsey.com/clientservice/bto/pointofview/pdf/int_servcie_provider.pdf

Reilly P Tamkin P, Broughton A (2007) 'The Changing HR Function: Transforming HR?' CIPD Research into Practice.

Tamkin P, Reilly P and Hirsh W (2006) 'Managing and Developing HR Careers: Emerging Trends and Issues', CIPD

Reilly, P (2006) 'Falling between two stools', *People Management*, 23 November

Pickard J (2004) 'Should I stay or should I go?', *People Management*, 25 March

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Incomes Data Services (2001), HR service centres, Report number 707, April

Pickard J and Reilly P (2000) Called into question, *People Management*, July 6th

Incomes Data Services (2000), Outsourcing and HR administration, Report number 700, December

Reilly P (1999) 'Back Office or Shared Service and the Re-alignment of HR', Institute for Employment Studies

Reilly P and Tamkin P (1997) Outsourcing: a Flexible Option for the Future, Institute for Employment Studies

Ulrich D (1995), 'Shared Services: From Vogue to Value', *Human Resource Planning*, Vol. 18, (3)

Case studies

Interesting article on **Welsh HR shared services** project collapsing
<http://www.lgcplus.com/finance/efficiency/wales-shared-services-project-collapses/5012429.article>

Problems with the **Department for Transport** shared services scheme
<http://www.peoplemanagement.co.uk/pm/articles/2008/05/department-for-transport-suffers-huge-loss-on-shared-services.htm>
<http://www.personneltoday.com/articles/2008/12/17/48779/81m-hr-shared-services-project-slammed-by-mps.html>

Buckinghamshire shared services project
<http://www.localgov.co.uk/index.cfm?method=news.detail&id=87087>

Cambridgeshire County Council 'Shared services: a problem shared', Personnel Today, December 2008
<http://www.personneltoday.com/articles/2008/12/08/48591/shared-services-a-problem-shared.html>

Cheshire (NHS) HR Services
<http://www.personneltoday.com/articles/2008/06/06/46210/cheshire-provides-blueprint-for-nhs-shared-services.html>

Merton and Sutton partnership on shared services
Arkin A (2008), 'Best of both worlds', People Management, 13 November
<http://www.personneltoday.com/articles/2009/09/23/52277/sutton-and-merton-councils-merge-hr-teams-into-shared-service.html>

Positive experience of the **Scottish Government** with shared services
<http://www.peoplemanagement.co.uk/pm/articles/2008/02/edservicesworksforscottishgovernment.htm>

Details on **Southwest One** – a cross organisational sharing example
<http://www.peoplemanagement.co.uk/pm/articles/2009/02/more-councils-look-to-shared-services-to-keep-them-a-float.htm>
<http://www.personneltoday.com/articles/2009/07/17/51478/hr-shared-services-interview-with-richard-crouch-head-of-hr-at-somerset-county-council-on.html>

Kent County Council's shared services
<http://www.personneltoday.com/articles/2009/05/14/50686/kent-councils-shared-services-move-aims-to-save-2.3m.html>

A description of **HSBC** with a useful checklist
<http://www.personneltoday.com/articles/2008/05/08/45770/integrating-disparate-hr-functions-to-create-a-single-service.html>

Information on **Capital Ambition's** project on cross organisational sharing including case studies
<http://www.londoncouncils.gov.uk/capitalambition/projects/workforcestrategy/sharedprofessionals.htm>

A description of the **BP** outsourcing deal
<http://www.peoplemanagement.co.uk/pm/articles/2000/02/2835.htm>

Centrica
<http://www.peoplemanagement.co.uk/pm/articles/2006/07/centricaoutsources.htm>

Unilever

<http://www.peoplemanagement.co.uk/pm/articles/2006/11/satunileveropposed2005hroutsourcing.htm>

Knowsley Health and Social Care
A case study showing how health and social care operate as a virtual organisation in Knowsley, including a shared HR team
<http://www.idea.gov.uk/idk/core/page.do?pageld=6462772>

For more case study examples coming soon, check the IDEa website www.idea.gov.uk

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Local Government Association

The Local Government Association is the national voice for more than 400 local authorities in England and Wales. The LGA group comprises the LGA and five partner organisations which work together to support, promote and improve local government.