

Measuring HR

Building the business case for HR restructuring

Start with the HR fundamentals!

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CourageousHR works with HR leaders and Communities to identify their distinctive contribution and then make it, both culturally and operationally, an organisational reality.

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Introduction

When it comes to creating a business case for changing HR our experience at CourageousHR is that this is a lot more difficult than many HR Leaders assume. This is primarily because the normal HR measures are difficult to project forward to create a factual and robust 'cost savings and value adding business case'.

So, being the pragmatic people that we are we always advise our clients to start with the HR Fundamentals and create the business case for implementing a Shared Service Centre (SSC). This not only creates a numbers driven business case for HR, but also begins to build HRs credibility for transforming itself (and often creating a 'pot' for resourcing further changes that are required)

Outlined below is a summary of the steps that an organisation should follow when considering whether to introduce a SSC offering – from assessing the need, building the business case through to its implementation.

We start by asking fundamental questions such as:

- *'How is the current HR service measured and rated by the business' to 'What is the most effective engagement strategy to secure buy in from managers at all levels'.*
- Our approach recognises the need to measure the right things consistently, to understand the impact on business operations, the necessity to make technology work in a simple and practical way for both HR and line managers and to nurture an internal customer service culture which clarifies accountabilities of both HR and line managers.

Assessing the Business Need

In order to improve its standing within the organisation, provide the internal 'bandwidth' to begin the journey along the transformation continuum and start to make a distinctive contribution, HR must ensure its core processes and activities are as slick, automated and efficient as possible.

If you are looking to assess whether your organisation would benefit from the SSC approach then you should consider the following criteria;

- Cost savings – would economies of scale, elimination of duplicated effort be realised by implementing a SSC?
- Would your customers benefit and would it add value to their experience?
- Would you be able to streamline and simplify services?
- Could you leverage increased buying power with suppliers?
- Could you achieve a reduction in salary costs through automating and off-shoring certain tasks?
- Can you deliver quality improvements and efficiency gains? These can be achieved via more efficient 'lean' processes and more timely and accurate information to customers.

- Are you looking to deliver organisational change through greater structural flexibility, freeing up HR from day to day transactional tasks?
- Do you want develop your technology through integrated systems and leveraging 'best of breed' functionality?
- Are you interested in sharing expertise and best practice across your organisation e.g. by implementing a common knowledge base and FAQs, which will also reduce the number of enquiries dealt with by the HR function?

Demonstrating that HR can create real business value starts with understanding what the business currently needs and building an offering that addresses those requirements.

Sourcing external data to support the business case for a HR SSC is relatively easy to obtain and recent examples include:

- Akris / Anderson Survey 2002
 - Savings realised can be up to 40%
- Deloitte
 - 80% of companies that had a SSC simplified compliance arrangements e.g. Sarbanes Oxley, and 50% said they reduced compliance costs
- ASUG / SAP Benchmarking & Best Practices Study
 - 15% net cost savings achieved with the top performing Company achieving a 23% net cost saving within 3 years of implementation
 - 14% Improvement in effectiveness achievable for an average shared service organisation with a top performing company realising a 32% effectiveness improvement within 3 years
- Hackett Group research
 - More than 60% SSC operations saved 20% or more in costs
 - 1/3 of companies reported savings of greater than 40%
 - 125 Companies benchmarked spent 8% less on HR per employee on average
 - World Class HR organisations rely on a SSC 65% more often than typical companies
 - World Class HR organisations had 20% fewer full time HR staff per 1,000 employees than others in the study
 - More than 60% Companies with a HR SSC achieved a cost reduction of 21 – 80%
 - Internal customer satisfaction improved between 21 – 80%
 - World class companies spend \$1,614 per employee in HR, compared with \$1,864 for a typical company
 - World class organisations spent on average 13% less on HR per employee & had 15% fewer full time HR staff per 1,000 employees

HR SSC - A launch pad towards creating true business value

Our experience at CourageousHR shows that implementing an effective and efficient Shared Services Centre proposition not only begins to build HR's credibility based on a track record of bottom line

delivery; it also acts as a springboard and baseline for HR to move towards consistently delivering real and ongoing strategic value.

Not all organisations need or require a Shared Services Centre – they are too small, too geographically dispersed, it's not culturally appropriate or any number of other reasons. However, at CourageousHR we have found that the process required to fully explore such an approach brings powerful benefits for HR even when the specific numbers don't support such a change.

Fundamentally, the process of assessing the benefits of a SSC often gets HR and the rest of the organisation talking about the role of HR, what HR provides (and shouldn't provide), how HR provides it and what the organisation needs to support its employees into the future. The answers to these questions can create the bedrock to a deeper understanding by all parties and provide the foundations for future change – change that is supported by both HR and the business.

About CourageousHR

At CourageousHR we work with HR Professionals to guide and inspire you and your HR Community to move from being 'followers' to leaders. We bridge the gap between academic vision and consulting rhetoric to help you unlock your potential.

Our passion and thinking comes from our experiences, research and a belief that 'tomorrow doesn't have to be the same as today'. Our reach is global and we happily work with clients throughout the world and across a wide range of industries.