



“Outsourcing HR processes in alignment with capabilities and culture.”

Abstract:

An international Bank with Headquarters in Germany planned to outsource their transactional HR and HR-IT. They were not sure whether this would be the right thing for them, how to find the right provider, and how to manage the transition. Following the 6 elements of *Right-Sourcing Readiness* iProCon consultants helped them to make the right decision and manage the change. As a result, the bank’s HR department reduced HR service cost by 25% whilst at the same time introducing more reliable processes and freeing resources for new tasks.

The Challenge:

A bank with 2500 employees globally (2000 in Germany) went through a streamlining process in their corporate HQ, and HR was expected to contribute its share. The HR Services & Payroll department with a headcount of 6 was an obvious target for outsourcing.

However, there were many doubts whether this would actually reduce cost, and much anxiety that the quality of HR as a whole would suffer. An extreme flexibility in HR service and a payroll which could respond to any individually customized contract had long been considered an important feature, adding much value for HR’s internal customers. The HR department also provided a very broad variety of ever changing reports, fed by payroll and HR services through their customised and flexible HR information system.

There were strong concerns that outsourcing these processes would diminish flexibility in these fields and therefore fail to deliver value to the organisation.

Our Approach:

Given the limited scope and therefore moderate savings potential in absolute numbers, the approach had to be pragmatic, but still required a holistic view to reach the right decision. Our consultants chose a coaching approach working with the client in a series of one and two day workshops, and used templates for the services catalogue and the RfP document as accelerators. They followed a common process as shown in the figure below, but always had the 6 elements of the iProCon *Right-Sourcing Readiness Check* in mind:

Understand Core Processes

The assumption that internal customers value flexibility in payroll, HR admin, and reporting turned out to be outdated. HR redefined its added value as “Driving change and attracting and developing leaders”. This proved some of the initial concerns unfounded.

Define and Assess Capabilities

The service catalogue defined in workshops with HR Service & Payroll employees also defined capabilities required from

providers. However, the objective for more standardised, stable processes proved to be difficult to achieve with existing internal capabilities and culture.

Consider the External Environment

A limited scope onshore project is not significantly affected by external factors. Nevertheless the ever changing legal requirements made it even more difficult to cope with the low level of standardisation, and became one factor driving the outsourcing decision.

Understand and Align Culture

It was clear that the existing culture in HR was not ideal for efficient, operations-driven processes. Outsourcing could solve this issue, but nevertheless the old basic assumptions concerning the core processes had to be dealt with. Also, to avoid a clash with the corporate culture, providers with a purely efficiency driven factory approach were avoided.

Manage Change

The right communication with stakeholders, particularly the retained HR department, is the 101 of HRO change. However, the key was the early involvement of affected staff in designing the service catalogue and RfP and the transparent decision with the internal option competing on equal terms.

Manage the Relationship

A clear and comprehensive RfP and good internal change management built the right foundation for a sound relationship. Nevertheless, allowing sufficient time for contract design and the building of internal capabilities to manage the interface were crucial. Lack of capacity made this a longer than usual process and our consultants had to ensure the provider didn’t lose faith in the client’s commitment.

The Solution:

As the business case made allowance for a normal number of change requests, the 25% savings in transactional HR can be achieved with low risk. On top of this, HR released management capacity for its core tasks and can enjoy reliable, SOx certified processes, less vulnerable to changing circumstances and less dependent on individuals.

