



The Ulrich Model: Theory versus Practice

Are you as a HR Director, or similar senior HR strategist, under pressure to reduce costs in HR, streamline processes and reduce all those vital non value adding employee based activities that keep the business running from day to day?

Have you been challenged to spend less time on administrative tasks and more time on strategic HR projects that add value to the company and seek to nurture your people as valued assets not just costs associated with running a business?

If so, you may be considering the HR shared service centre (HR SSC) approach, possibly incorporating the model proposed by US academic Dave Ulrich. You would be in good company; the government's approach to reducing back office costs in both the public sector and NHS is the same. Major national and regional projects are already underway in the NHS and there is now a push to adopt this concept for Local Authorities, the Civil Service and our Fire and Police Authorities too.

The private sector has already adopted this approach and some of the FTSE top 100 companies have already made significant staff cost savings. But the HR SSC concept seems at the moment to be synonymous with the major ERP systems that are extremely flexible, but becoming ever more costly to implement and maintain. They also usually take much longer to develop and enhance to deliver the functionality required to meet the ever changing demands that businesses have today.

Further, grouping services such as all HR transactional services together in one place makes them easier to outsource, or as many have already done, offshore, where labour is cheaper than in the UK. But beware the data protection legislation that protects the confidentiality of the personal data that all HR systems hold in the UK does not apply in countries like India. Another problem with outsourcing services is that good working relationships built up between line management and HR can be lost, often to the detriment of the service.

Do we need to offshore?

If we get the technology and processes right in the first place we would not need to offshore to subsidise the ever increasing costs of supporting these types of systems.

Utilising a best of breed HR / Payroll software application can deliver the same results for significantly less cost, providing all the HR processes have been initially identified, evaluated, mapped and improved using 'LEAN' tools and techniques. Many integrated HRM systems of today can be configured to make best use of a methodology we have called **CADAS** (Capture Accurate Data At Source). Using Self Service over a local intranet or the internet, daily HR administration activities can be carried out on-line by the originator of the data (e.g. an employee or a Line Manager) and be captured only once and 'Right First Time'.



Using intelligent workflow tools the data can then be transported through the various specialist sections in the HR SSC with very little or no manual intervention until an accurate output is produced.

This approach reduces the amount of non-value adding activities by removing duplication, re-work and errors to provide a world class service to internal and external customers.

What is meant by world class service?

Many organisations use the term world class glibly in internal mission or goal statements but what do they actually mean and how will they measure the service? In HR transactional terms you are looking for processes to achieve a sigma level of 4 or more and an efficiency level of around 50%. The typical process efficiency level for transactional services is currently just over 10% so there is considerable opportunity for improvement.

What about the HRM systems?

It is useful at this point to pause to consider some facts reported in the CIPD's 2005 People and Technology Survey:

- Less than one fifth (16%) of HRMS are integrated with an organisation-wide IT system.
- More than a quarter of respondents (28%) say their systems are difficult for the HR department to use.
- HRMS are most likely to be used to monitor absence management (85%), training and development (75%) and reward (75%); they were also the three most likely to be run as an integrated system.

The survey made the point that well implemented systems have the potential to drive business performance, as well as providing effective means of employee engagement and communication. The system can provide accurate statistics enabling HR professionals to identify areas that managers can work on to improve performance and productivity of teams.

However, failing to invest the resources required and cutting corners or costs early on in the implementation will leave businesses losing out in the long-term, the envisaged benefits will not be fully realised and the project may not be viewed as particularly successful.

Looking at the statistics above, it is obvious that there is huge potential for improvement in terms of how HRMS systems are being implemented and used.



Potential issues with the Ulrich model:

If you have already adopted something like the 'three legged' Ulrich model in your organisation (HR SCC / Business Partners / Centres of Expertise), you may find yourself facing some of the following issues:

- Line manager dissatisfaction and frustration that they have a lack of support for day to day operational HR issues.
- Lines of accountability that are not clear - a problem for making your internal service KPI's work.
- Delayed customer response times as a query logged by the HR SCC, for example, can end up being passed between business partners and experts as neither feel the issue is part of their remit. Thus leading to decreased customer satisfaction levels, not to mention the inherent inefficiencies of dealing with the query.

Often, the cause of such issues has been identified as too rigid an implementation of the model, which does not take into account the variable needs of the customers across the business. Processes, policies and service specifications need to be adapted in consultation with the managers involved to provide a tailored approach but still within the basic model.

Having specialised teams for each key HR activity in an HR SSC certainly creates a degree of specialisation and expertises in the choosen activity. However, in our view you need to be mindful to rotate resources carefully and frequently within each area in order to avoid the 'silo mentality' whereby team members are not aware of what goes on outside their own 'bunker'. This can lead to a serious lack of understanding of the overall HR strategic goals with teams just concentrating on their own activities rather like a car assembly line. Furthermore, this can lead to a degree of job dissatisfaction and lack of personal development opportunities. The most effective HR practitioners in our opinion are those who have good knowledge of the end to end process and the needs of the business.

Furthermore, whilst Public sector organisations will have common T&C's, HR policies, benefits and remuneration strategies will differ. In the private sector attempts to harmonise T&C's and HR policies amongst businesses that are part of a larger group have encountered problems, and consolidation in an attempt to stick to a more rigid service delivery has often had to be abandoned. This has left the HR/Payroll system to cope with the multiple benefits and conditions, which has meant either system customisation, or especially in the case of some large ERP systems, the timescales and costs for customisation have meant that manual intervention has been used, which can push up labour costs and introduce another potential source of error.



Therefore, two key words emerge from the analysis of the issues: –

COMMUNICATION and INVOLVEMENT.

At all stages in the implementation, or review, of your HR processes you must get and keep on board the managers who are your customers, and ensure the system will work for them. This is referred to as the ‘voice of the customer’ (VOC), or as Dave Ulrich terms it ‘the user is the chooser’, and providing you consider the VOC when devising your initial service specifications and by identifying what is critical to them in terms of service delivery and quality, you can make this approach work. Further, by imbedding workflow into each key transactional HR process you can identify, through the use of business intelligence tools, exactly how long each step in the process takes and the number of re-work loops there are in each process. This enables you to confidently predict your service levels to your customers and monitor your progress using a set of robust KPI’s that can also be used to determine best practice and future benchmarking.

So if you have already implemented the Ulrich model or similar, and are looking to find and plug the ‘black holes’ that have appeared in the structure, or address the dissatisfaction of HR staff and customers then our experience and methodology can help you achieve your aims.

Alternatively, you may be considering some form of HR transformational activity driven by the requirement to cut costs and improve efficiency, but are unsure where to start and what structure is best for your business. We can help you define how good your current systems and processes are, what your goals are, what your customers require from you, and then plot a course to success.

Finally, by devising innovative Human Capital Management reporting strategies that can capture data for your whole employee base (from around the world in the case of multinationals), we can demonstrate how our people asset management strategy and techniques can be utilised to add real value to your business.

Around 46% of organisations do not measure the effectiveness of their HR processes, and are therefore in no position to benchmark themselves against their industry sector, or external service providers. ***Make sure your organisation is not one of them!***

Please visit our website at www.transacthr.com for further details on the methodologies and tools and techniques we employ and for our contact details.