



## Public sector HR transformation

### 4 steps to successful public sector HR transformation

#### **The why, what, how and who of effective HR restructuring**

Human Resources has a crucial strategic role to play in the ongoing transformation of service delivery and operational efficiency across the public sector. In addition to using innovative business models such as shared services or business process outsourcing to help meet spending review targets, the HR function must focus on attracting, nurturing and retaining the talent demanded by a transforming and citizen-focused public sector.

Public sector HR costs are estimated to be two to three times the level of those in the private sector where the function has become a strategically valued part of the

business. For public sector HR to be perceived in the same high value way rather than as a cost centre, wholesale business restructuring must begin.





## The context for transformation

Change is inevitable. But for some it can't come fast enough. At the 2009 Public Sector People Managers' Association (PPMA) annual conference the association president Gillian Hibberd told delegates that "the time for all public services to think differently and, most importantly, act differently is well and truly upon us – carrying on doing what we do now, the same way that we are doing it now, is simply not an option". She was stating what most public sector HR professionals already know; that to drive down costs and deliver the levels of service efficiency required by a modern public sector, a transformation must take place.

But what needs to be changed – and how do you go about it? Some public sector organisations have already embarked on the journey, transforming their HR functions and drawing on the commercial acumen of external HR and business service professionals. Others have yet to begin the journey.

To put the urgent need for transformation in context, all functions across every public sector organisation know that to meet their efficiency targets they have to find new ways of working, perhaps by adopting new business models or using technology more effectively. Operational efficiency inevitably leads to greater cost effectiveness so the impact of transformation is twofold: improved service delivery and cost cutting in line with government objectives.

Until now, cost savings have been achieved within many public sector organisations by trimming services as opposed to wholesale restructuring. There has been little appetite for adopting new business models to deliver back office functions such as the payroll and benefits traditionally provided by HR. Instead, the focus has been on how to transform service delivery on the front line – improving access to citizen services through contact centres, interactive websites and better facilities for face-to-face communication.

Now attention has turned to the back office. There is increasing recognition that, just as in the private sector, the HR function can play a vital strategic role – but only if it moves from a heavily transactional-based-business model to one that is able to strategically align and manage talent. Such a move will have the additional benefit of making the public sector HR function a more attractive career prospect for young HR professionals.

As some public sector organisations such as the Metropolitan Police Service, the Department of Health and Liverpool John Moores University have already discovered, the transition to a more strategic role is underpinned by business transformation.

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### Starting the journey

Deciding how and what to change, is one of the first steps on the transformation journey. This is about developing a vision for the future of your organisation's HR service delivery and how far and quickly the restructuring should go.

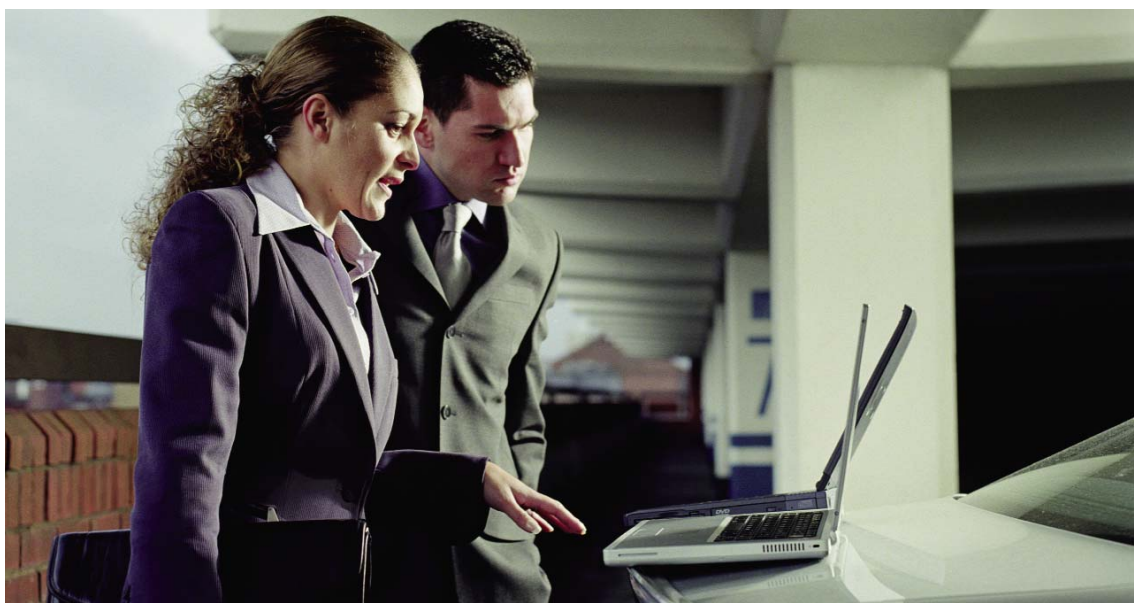
Change doesn't have to be a 'big bang' process; the business model you choose can evolve over time. At the Department of Health, for example, transformation began back in 2003 with the introduction of a shared services business model for the delivery of back office functions, including payroll, to diverse NHS organisations. Two years later the decision was taken to bring in external commercial expertise to help deliver these shared services in a joint venture partnership. The model changed as the business identified the potential for further benefit in taking another step on the transformation journey.

This is just one example of evolving back office restructuring in the public sector and illustrates not one, but two of the options available: shared services and outsourcing. There are others. So it's important to consider what's right for your organisation.

What is your Target Operating Model (TOM). For example is it a technology-led model, whereby a self-service approach gives employees access to systems that allow them to get questions answered or to update their own personal details without recourse to face-to-face interaction? Or is it an outsourced model that gives you access to improved HR ICT systems without the capital expenditure and access to a wider HR talent pool? Again, these are just two of the options available.

Choosing what path to take may require the services of external HR consultants who can help to develop a route-map that best suits your objectives. They can work with you to draw up your TOM, which should define and describe the expected end-state operating model for the delivery of your HR services and will include details of the transition and transformation plans. For example, if your organisation opts for an offshore outsourcing model, the TOM might include a definition of how, where and in what proportions work will be delivered across local and offshore centres.

It should also take account of the anticipated benefits that your transformation will bring, such as: lower costs, reduced administrative burden, faster cycle times, improved staff motivation leading to reduced churn, and better interaction between the business and your HR team.



## The first 3 steps: why, what, how.

HR transformation as part of the wider public sector transformational agenda will deliver both business benefit, through more cost effectively, efficient and accurate service delivery, and strategic value with internal teams better equipped to focus on aligning HR policy and operations with strategic intent.

There are a number of critical steps on the transformation journey.

### Step 1: why?

Step One is to understand why you are transforming – the anticipated benefits mentioned earlier. Your leadership must have clarity on the objective of your HR transformation in order to give the top-level support it demands for success. In the Metropolitan Police Service, for example, a complete overhaul of the HR process was, according to HR director Martin Tiplady, “about making the organisation more productive, making money go further, increasing performance and helping managers manage change”.

Benchmarking against World Class HR operations and analysis of your own situation can help to define the reasons for change.

These might include all or some of the following:

- Reduced operational cost – usually the primary driver
- Increased business and service efficiency in line with government transformational agenda

- Release of internal HR resource from transaction-bound processes to focus on more strategic work such as talent management, thereby making your HR organisation a more attractive career proposition for up and coming HR professionals
- Better control of risk (legal compliance etc)
- Access to a palette of external expertise unavailable internally in a bid to move towards a World Class HR organisation
- Access to improved HR ICT systems with minimal capital outlay
- Reduced headcount
- Replacement of internal systems.

### Step 2: what?

With the knowledge of why you want to change, Step Two is to decide what to focus initial transformation efforts on to achieve the desired outcome, whether that’s optimised service delivery, improved business processes or a more effective ICT platform.

If an increase in business efficiency or reduced costs are the primary drivers, you might identify a reduction in transaction-bound processes as your immediate priority. If your internal ICT systems have come to the end of life or don’t support the requirements of a modern HR function, such as flexible benefits, you may choose to start your transformation with a technology overhaul and replacement of the ageing systems. These are the ‘what’ of your transformation.



# How you affect your transformation will depend on where you already are in terms of your HR service delivery.

## Step 3: how?

How you affect your transformation will depend on where you already are in terms of your HR service delivery. You might have implemented self-service processes or, alternatively, you could have long-term employees simply ticking along delivering labour-intensive processes in the same way and at the same rate as they've been doing for years.

If you've already started your journey, you may want to move to the next level, perhaps to partial outsourcing or to complete the picture with full outsourcing; if you are just starting out, perhaps a quick win such as adopting shared services for certain HR processes will be best suited to your attitude to change and risk, as well as to your level of transformation maturity.

In choosing what path to take, there are a number of possible options suggested (and offered) by Steria. We embrace industry best practice such as the renowned Ulrich model and assess and select the most appropriate business model for partnering. The options available include: standardisation and technology; shared services; selective HR outsourcing; full HR outsourcing; and offshore HR outsourcing, as illustrated below.

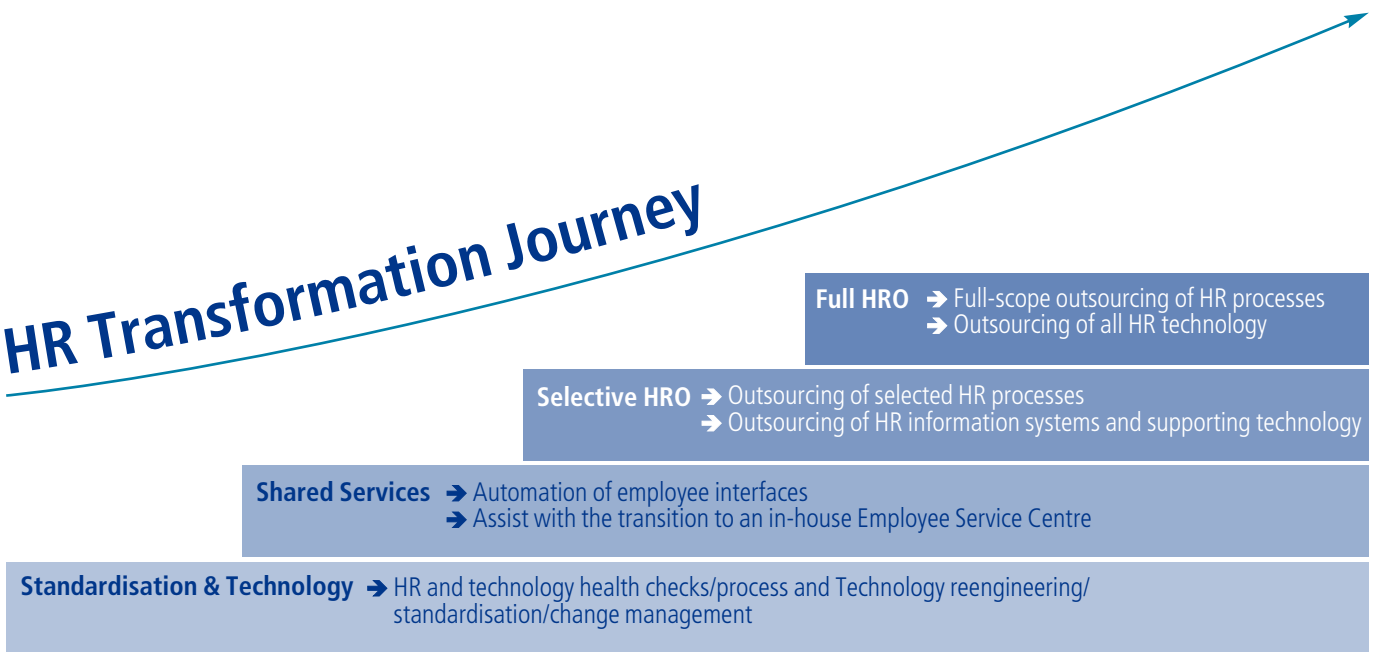
## Identifying transformation benefits

There is undoubtedly a fundamental need to provide continuous improvement in delivering HR services in the public sector. The transformation path will be different according to the benefits identified as the primary drivers for change and the delivery model adopted, but the desired outcome will be resonate with everyone: consistently efficient service delivery, reduced cost and the freeing up of internal HR resources to deliver greater strategic value.

Transformation on the scale required by many public sector HR organisations will benefit from the support of external HR, business process and change specialists. They can draw on best practice and experience to mitigate the pain of change and implement the World Class processes demanded by a 21st century public sector.

Therefore, the next critical step to ensuring the benefits identified can be delivered is the 'who' of your transformation journey. Identifying a strategic partner who can help you transform and with whom you can establish a relationship built on trust will be key to success.

## HR Transformation Journey





We took the decision to move finance and accounting and payroll services to NHS Shared Business Services because we believe it will deliver real long term value to our organisation and support our drive to become World Class Commissioners.

**Andrew Booth, director of finance and performance, NHS Derby City.**

## Where has HR transformation been successfully undertaken?

### The Metropolitan Police Service

HR director for the Metropolitan Police Service (MPS) Martin Tiplady was recently reported as saying: "We will save £15 million a year. It will contemporise how HR works in the organisation: how managers manage as opposed to HR managing for them, and how we get greater consistency across 120 different parts of organisation."

He was talking about the expected results of a major and ongoing transformation of the MPS's HR function to a shared service centre and business partner model supported by Steria.

The transformation is automating standard transactional activities with high levels of self service and a 24/7 intranet, and increasing the HR focus on strategic activities. Steria has validated over 400 processes and will be providing a wide range of services, including a 24/7 advisory centre as a primary point of contact for employees, an expert centre of qualified teams to manage the main administration and case management responsibilities, and business partners to support the MPS with their strategic HR and organisational objectives.

### NHS Shared Business Services

One of the most impressive public-private sector partnerships is between Steria and the Department of Health. Their joint venture NHS Shared Business Services is built on a shared services business model for the

delivery of back office functions, such as payroll and finance & accounting. This is delivering huge economies of scale for those Trusts using the shared services, which is currently processing over 2 million payslips every year, thus removing a huge administrative burden from the HR functions within the trusts.

Significantly improved payslip production efficiency and cost savings have been achieved by many of the processes being delivered from an offshore location. While this required a cultural shift on the part of NHS SBS's customers, the transition has been largely seamless for those customers adopting the model.

### Liverpool John Moores University

With staff costs rising and over 2,300 academic, support and other full-time equivalent employees on its books, Liverpool John Moores University (LJMU) sought a business partner who could help to develop the systems and processes it needed to manage its greatest asset as effectively as possible – its people. Steria worked with LJMU to develop a vision for a new HR environment that articulated changes in organisational roles, business processes/procedures and systems/technical environments.

With a new Oracle HCM package installed, configured and implemented by Steria, LJMU is now benefiting from better integration and interfacing with other LJMU applications to provide timely and accurate information, a more complete view of key corporate information across the whole university, and a solid foundation for the further growth and development of Human Resources management.

# Steria is one of the largest payroll providers in the UK, delivering cost effective solutions to a number of high profile clients including the BBC, BT, and O2.

## Transformation Step 4: who?

As a business and change partner to organisations across both public and private sectors, Steria is increasingly being seen as first choice in the 'who' of the four-step HR transformation process.

We have in-depth HR knowledge and skills and, with 40 years' experience supporting change in government and the public sector, we have an understanding of the unique challenges being by faced by organisations in this sector. We use this knowledge to successfully tailor solutions and services to meet the specific needs, culture and business objectives of our clients.

We act as both consultant and implementation partner to HR organisations needing to upgrade or replace their internal HR systems and to get improved value from annual staff costs. In addition, we are experts in Business Process Outsourcing (BPO) and our integrated model enables us to deliver HR BPO as well as Finance & Accounting services on behalf of large public sector and commercial organisations, adding another crucial layer of expertise for our clients to draw on.

## Delivering business and commercial benefits

Our real partnership approach to HR transformation delivers substantial benefit to our clients beyond the reduction in cost, administration time, staff churn and resourcing previously mentioned:

- **Guaranteed outcomes** – we build contracts around shared risk and reward to guarantee outcomes for our clients. This is supported by our fully developed service and performance framework against which the services we provide are managed.
- **Commercial flexibility** – commercial innovation is a hallmark of the way we work: we use a variety of flexible commercial models, from supply relationships to true joint ventures. Pricing models are aligned to the business goals and may be transaction-based, service-based or outcome-based, giving our clients budgetary transparency and predictability.

→ **Flexible sourcing aligned with strategic intent** – not everyone in the public sectors feels confident sending processes outside the UK. Others are happy to do so – but not necessarily all of their processes. Our full end-to-end integrated on/offshore delivery model provides the optimum delivery of business processes and IT services wholly in line with each client's individual attitude to outsourcing.

→ **Process efficiency and re-investment** – our holistic approach to process design includes people, business process, applications and technology. We work in partnership with our clients to take out process inefficiencies and reinvest the funding into the development of high value-add HR systems and business processes that increase employee and organisational performance.

→ **Smoothing the transition** – easing the pain of transformation can make an important contribution to the successful transition to a new service delivery model. That's why many of our clients depend on our proven transition and transformation approach, including TUPE, as well as on our deep knowledge of HR business operations and functional areas in the public sector via proven experience and transferred staff.

→ **Technical excellence, skills and knowledge** – the delivery of efficient, cost effective services to citizens and businesses is being enabled by ICT. And Steria has forged some powerful technology partnerships that ensure our clients benefit from the full skills capability across areas such as SAP/Oracle, technical & infrastructure services, and IT project/programme management.

Steria is supporting the journey to efficient and cost effective HR service delivery across the public sector.



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### About Steria

Steria delivers IT enabled business services which help organisations in the public and private sectors operate more efficiently and profitably. By combining in depth understanding of our clients' businesses with expertise in IT and business process outsourcing, we take on our clients' challenges and develop innovative solutions to address them. Through our highly collaborative consulting style, we work with our clients to transform their business, enabling them to focus on what they do best.

Our 19,000 people, working across 16 countries, support the systems, services and processes that make today's world turn, touching the lives of millions around the globe each day.

Founded in 1969, Steria has offices in Europe, India, North Africa and SE Asia and a 2008 revenue of €1.8 billion. 16.5% of Steria's capital is owned by its employees. Headquartered in Paris, Steria is listed on the Euronext Paris market.



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