

Ulrich comes of age:

What have 18 years of the
Ulrich model done for HR?



ORION

Strategy | Leadership | Performance

Acknowledgements

This report is the result of an extensive survey of the HR functions in a wide range of organisations. We are indebted to all of those who took the time to participate in the survey and, additionally to those who spent time with us to talk through their experiences in detail. We thank you for your time, your candour and the invaluable insights you shared on your businesses and HR management.

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The study – Ulrich comes of age

In his book 'Human Resource Champions, published in 1996, David Ulrich proposed a differentiation of HR activity dependent on the extent to which each role was process or people oriented and strategically or operationally focused.



Ulrich's work led many organisations to move away from a historical model that was populated by generalists and to adopt a new model for HR services. The new approach, often dubbed the 'three legged model' proposed a differentiation of HR services with three distinct specialised roles; shared service centres to manage operations; business partner roles to deliver strategic HR services to the business and centres of expertise to provide technical skills and capabilities.

Although Ulrich never claimed to have invented the three legged model, his name has become synonymous with HR services organised in this way. Now, almost 18 years later it has become the standard method for many large, complex HR organisations to organise HR service delivery.

We wanted to know what impact this model has had on HR. Specifically we asked questions on how organisations had responded to the opportunities and challenges offered by the model; how had they gone about it and whether the model delivered on the promised benefits.

We also wanted to know what role technology had played in the HR transformation process, what was left to be done and, with the benefit of hindsight, what would they have done differently.

To carry out the study we talked with over 40 organisations and their HR functions. The majority were in complex global organisations with over 10,000 employees – the heartland of transformational change in HR over the last 10 years. The results were, in parts, challenging and counter-intuitive and provided some clear indicators as to where organisations should place future priorities for a modern HR function.

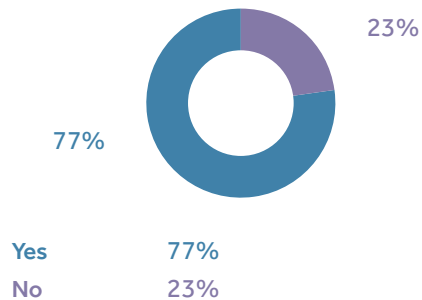
Executive Summary

2.1 The Ulrich model has brought measurable benefits but it is still a 'work in progress'

Most people believe the Ulrich model has had a measurable impact on the quality of services, HR capability and the efficiency of their HR services. However, these benefits have not been won easily, major investments have been made to deliver these benefits and most organisations we spoke to were only part way through their change programmes.

Rolling out the model to further business units, regions and the implementation of new technology were all mentioned as planned stages of activity. It is clear that after 18 years of Ulrich – implementation of the model is still a 'work in progress' for most organisations.

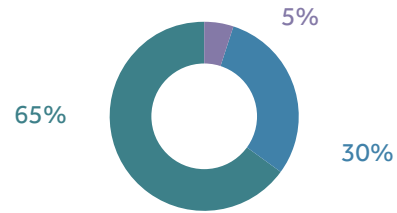
"THE ULRICH MODEL HAS HAD A POSITIVE IMPACT ON OUR HR SERVICES"



2.2 Most are unsatisfied with the way the model operates now

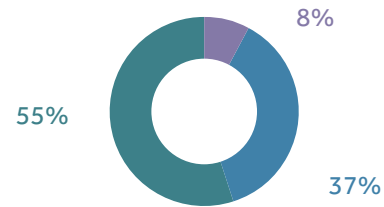
It is also clear that whilst a quarter to a third are satisfied with the performance of their HR operations and their business partners this was by no means the norm. Between 60% and 70% of organisations still regard their performance in these areas as 'acceptable' but not 'consistent' suggesting that there is still more to be done before the model achieves its full potential.

OUTCOMES FROM HRT: HR OPERATIONS



Good: High levels of efficiency	30%
Acceptable: Good service but not consistent	65%
Poor: We don't get basics right	5%

OUTCOMES FROM HRT: HRBPS



Good: HRBPs are embedded in the business	37%
Acceptable: We are winning but still too transactional	55%
Poor: We do not have a seat at the table	8%

2.3 Technology investment is critical – 'integration' is more important than 'functionality'

All the indicators are that HR transformation should not be 'technically led' and that it is most successful when focused directly on the needs of the business. However, this does not change the fact that HR technology is inextricably linked to the process of change in HR and there is a huge reliance on HR, Talent Management and Case Management systems to deliver the change.

Q.24 LEVEL OF INTEGRATION

		Single solution	Best of breed	Ad Hoc
Good – Systems are world class	100%	82%	18%	0%
Acceptable – Systems are patchy	100%	36%	18%	45%
Poor – Systems are a constraint	100%	14%	14%	71%

Chapter Two: Executive Summary *cont.*

In terms of what drives success in technology projects, the responses are clear. Those organisations that invest most heavily and completely in HR technology reap the biggest benefits. In contrast, those organisations that invest patchily in piecemeal systems run the risk of creating solutions that actively hinder business performance.

Whilst experience shows that technology is usually selected on the basis of software features and functionality – it is the level of technology integration that has the biggest impact on success. Buyers would do well to evaluate solutions on largely on the strength of their integrated processes and data.

The much promoted 'best of breed' approach to selecting HR technology would appear to be a significantly less successful strategy than acquiring a single integrated solution.

2.4 Integration is more important than functionality

Throughout the study, several organisations highlighted the same problems with delivery with many of the same root causes.

- **Rigorous adherence to the model:** The research showed that the Ulrich model cannot be uniformly fitted to all organisations – larger, more complex organisations and those with a wide geographical spread have to adapt the model to suit local conditions.
- **Poor design:** Many problems could be traced to a failure to address critical design decisions around the new operating model and to tackle the most significant areas of the HR cost base first.
- **Lack of a 'one HR' approach:** Segregation of HR roles frequently led to a separation of accountability and an 'us and them' culture in HR.

Chapter Two: Executive Summary *cont.*

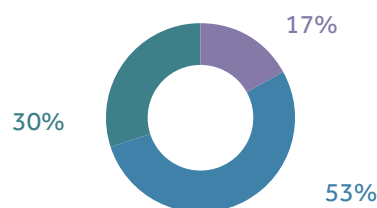
- **Lack of capability in the new model:** HR often lack the capability to undertake new roles – often arising from a failure to run proper assessment and selection processes.
- **Insufficient investment in technology:** Inadequate technology investment was often no better and sometimes worse than no investment. Patchy, poorly integrated systems were perceived as a major constraint on the transformation process and the commercial objectives of the business.
- **Lack of leadership and change management:** HR transformation frequently stalls because of a failure of the leadership to mandate the model or lead by example.

2.5 The focus has been on operations at the expense of talent management

Perhaps most disappointing, was the apparent poor progress in addressing the effective management of talent. Only 17% of organisations laid claim to a good, integrated talent process and dedicated talent specialists in all disciplines. More than half thought there were still significant opportunities left to explore in this area and nearly a third thought this represented a major missed commercial opportunity.

This would suggest that the Ulrich model has driven operational efficiencies but at the expense of effective talent management. Given that 97% of organisations claimed that people issues were business critical to their organisations, we would question whether it is now time to stop pursuing operational efficiencies in HR when there are much larger opportunities available to address talent in the wider organisation.

OUTCOMES FROM HRT: TALENT MGT



Good: We have an integrated talent process and can make rapid adjustments

17%

Acceptable: Pockets of excellence but still opportunities

53%

Poor: We are missing a commercial opportunity with talent

30%

Who took part?

Key Messages:

- The study surveyed a broad group of global and multi-national businesses with complex HR operations.
- Most organisations had more than 10,000 employees with the largest exceeding 500,000
- Over 40 organisations took part with a combined responsibility for 2.5 million employees.

3.1 The survey collected qualitative and quantitative data from over 40 organisations

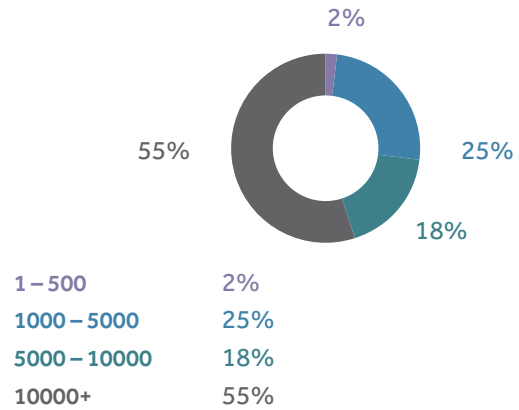
We conducted a detailed survey of how organisations had deployed the Ulrich model and the benefits they realised from it. Over 40 organisations completed our on-line survey and 12 more participated in an in depth interview programme to make a qualitative assessment of their approach to the model.



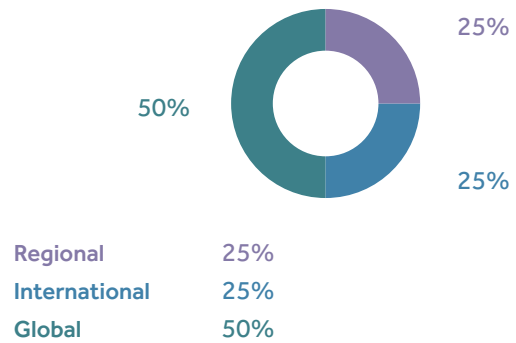
3.2 Participants were large and predominantly global

Participants came from a wide range of industries with a bias towards Financial Services, Retail and Technology providers. More than half of those surveyed were from organisations with more than 10,000 employees.

HOW MANY PEOPLE ARE EMPLOYED WITHIN YOUR ORGANISATION?



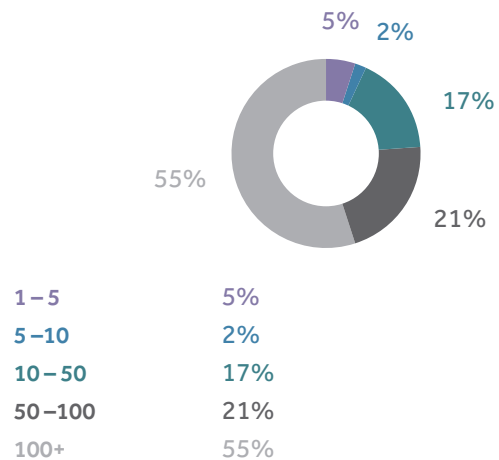
GEOGRAPHICAL SPREAD



3.3 HR Functions were large and complex with a strong presence in the organisation'

Most organisations indicated they had complex HR functions with most employing over 100 staff. Most said that they had good support in the business for the HR agenda.

HEADCOUNT OF HR FUNCTION



How has HR spent the last 10 years?

Key Messages:

- Most organisations have embarked on an HR transformation journey with the 'Ulrich model' being the template for change in most organisations.
- Despite programmes lasting several years, most still had long programmes of activity to complete
- The dominant focus has been on HR operations – often expressed as 'getting the basics right'. However, work in this area has been patchy.
- Most believe they have underinvested in technology.
- Some organisations are inherently unsuited to the Ulrich model.

What initiatives have you undertaken in the last 10 years?

The Ulrich model dominated most change programmes...

"A major 3 year programme to strengthen leadership and reduce excessive operating costs – we have also put Oracle EBS in globally."

"Key drivers were the need to reduce costs and implement a single system across the group – next steps will be to start delivering talent management tools."

"Primary drivers were to implement global HRIT and drive efficiencies of service."

...but some had sound reasons for not following suit

"We have made major investments in shared services and business partner roles but the HR overhead has gone up. We are now putting some services back with regional BPs."

"We have consciously NOT implemented Ulrich – believe this has been over interpreted. Our focus has been on flawless execution and on raising HR capability."

"We have not delivered the classic Ulrich model – we operate a franchised model that requires a leaner approach."

Chapter Four: How has HR spent the last 10 years? *cont.*

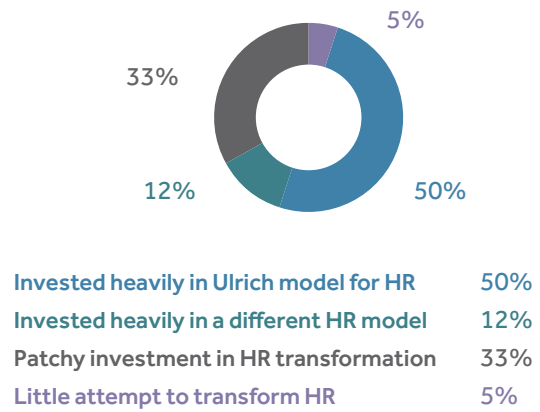
4.1 Investment in HR transformation is the norm: the Ulrich model dominates

The last 10 years has seen major changes in the organisation, process management and technology platforms in use by HR. At least half of surveyed organisations had undertaken major transformational activity to develop the service in line with the Ulrich model – specifically the implementation of a centralised transactional service, dedicated Business Partner roles and Centres of Expertise. A further 12% had made similar investment but had adopted a different model.

A third of organisations had made some investment in HR but described this as 'patchy', with the implication that this had not been done in a consistent or integrated fashion.

Less than 5% of organisations said they had made little or no attempt to transform HR in this period.

INVESTMENT IN HR TRANSFORMATION



4.2 A high proportion of the investment appears to have gone into HR operations

A large proportion of investment has gone into developing HR operational services to support transactional elements of HR services although the majority have only invested in parts of the HR process. Only around a quarter have undertaken a holistic reorganisation of HR services across all transactional processes.

INVESTMENT IN HR OPERATIONS

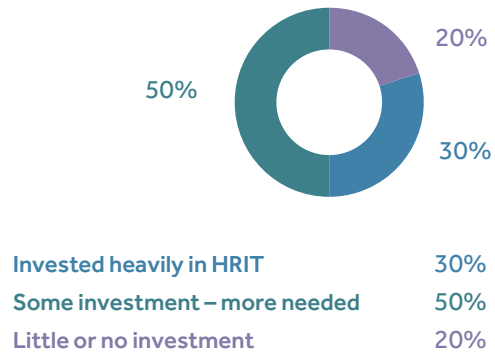


Chapter Four: How has HR spent the last 10 years? *cont.*

4.3 HR is still largely underinvested in HR technology

Whilst around 30% have invested extensively in HR technology to support the model, the majority believe that they are still underinvested in this area.

INVESTMENT IN HRIT



4.4 Some organisations have deliberately avoided deploying the Ulrich model

Two organisations with very different profiles highlighted HR operating models that were distinctly different from the Ulrich model. One operated in a culture that valued a 'high touch' relationship based service that was incompatible with a low cost operation. The other operated an extensively franchised model in which the majority of staff were not employees of the company. In both instances the organisations felt that a 'pure' Ulrich model constrained their ability to deliver the service the business demanded.

What did Ulrich ever do for us? The benefits and disadvantages of the new model

Key Messages:

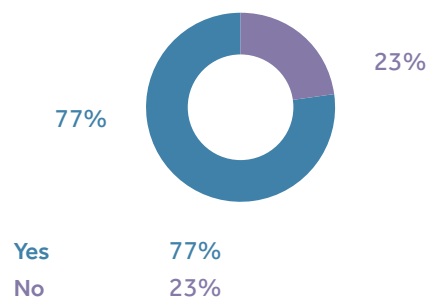
- The vast majority agree that the Ulrich model has brought significant benefits - top level measures suggest a positive 'direction of travel'.
- However, detailed examination of the model reveals significant opportunity for further improvement in HR operations and the HR business partner role.
- Most startling has been the lack of progress towards integrated talent process and dedicated talent specialists. This suggested that endeavours to implement the Ulrich model had tended to focus on operational efficiencies at the expense of talent management. Most respondents saw this as a major missed opportunity.

The good...

5.1 Most agree – Ulrich has greatly improved HR

Over 90% of organisations surveyed said their HR function was more efficient and commercially focused than it was 10 years ago. Most attribute this to the HR transformation activity they have undertaken during this period and most believe the Ulrich model has had a positive impact on HR services.

"THE ULRICH MODEL HAS HAD A POSITIVE IMPACT ON OUR HR SERVICES"



In what ways has the model proved a benefit or a disadvantage?

Some had clear measures of success...

"We delivered a 30% reduction on operating costs with a target to reach 40%."

"Reduced our salary planning cycle from 3 months to 3 weeks."

"Taken 10% out of operating costs – our objective is 25%."

"Have accommodated a massive growth in the business without growing the overheads."

...others had yet to see return on investment

"Model is still unproven – we have the infrastructure in place but have not yet leveraged the benefits."

"We have a declining business segment and an increasingly regulated environment – we now have to initiate a global programme for talent."

"We have not delivered the classic Ulrich model - we operate a franchised model that requires a leaner approach."

Some remained cynical about the model...

"Specialism often leads to a lack of core skills – assumptions that HRBPs know how to coach people have been incorrect."

"We still suffer from a lack of integrated systems and a lack of critical talent data below the top tier."

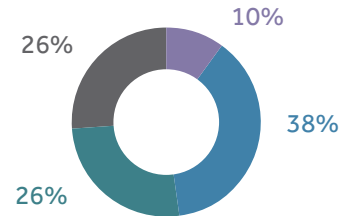
"Biggest issue has been the assumption that everyone could make the transition – didn't spend enough time on selection."

Chapter Five: What did Ulrich ever do for us? *cont.*

5.2 Basic measures of efficiency have improved

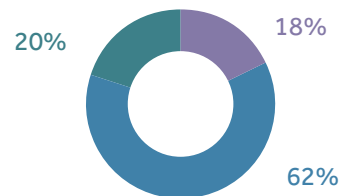
More than two thirds of organisations claim an HR:total staff ratio at or above the 'median' figure of 1:100. The majority claim that this ratio has improved steadily over the last 10 year period and that generally there has been a 'positive direction of travel' in HR.

RATIO OF HR STAFF TO EMPLOYEES



1:50	10%
1:75	38%
1:100	26%
>1:150	26%

"OUR HR : STAFF RATIO HAS..."

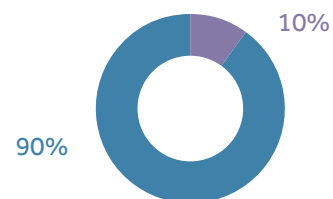


Got better	62%
Stayed the same	20%
Got worse	18%

5.3 HR is better skilled and more commercially focused

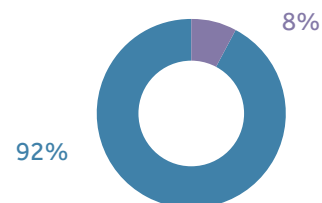
Similarly, most organisations credit the change initiated by Ulrich as having raised levels of HR expertise and generally created a climate in which 90% believe the modern HR function has become more efficient and commercially focused than its predecessors.

"WE HAVE CONSIDERABLY GREATER HR EXPERTISE THAN 10 YEARS AGO"



Yes	90%
No	10%

"OUR HR FUNCTION IS MORE EFFICIENT AND COMMERCIALY FOCUSED THAN 10 YEARS AGO"



Yes	92%
No	8%

Chapter Five: What did Ulrich ever do for us? *cont.*

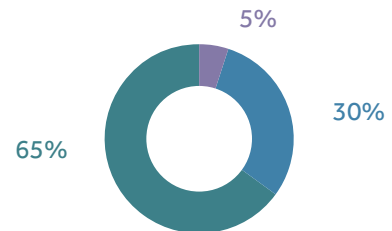
The bad...

Despite the 'positive direction of travel' for HR there were clear indications that the majority of HR functions had not achieved the ideals of operational efficiency and service improvement.

5.4 'Good' does not mean 'best' – most still struggle to deliver consistent operations

Despite a strong emphasis on HR operations and a disproportionate expenditure on shared service delivery, less than a third claim to deliver consistently high levels of efficiency in HR operations with some claiming that they still fail to 'get the basics right'.

OUTCOMES FROM HRT: HR OPERATIONS



Good – High levels of efficiency	30%
Acceptable – Good service but not consistent	65%
Poor – We don't get basics right	5%

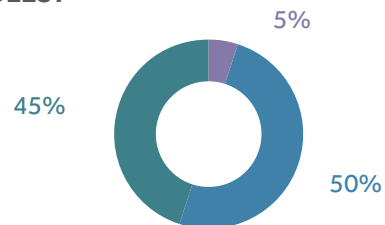
5.5 Business partners still fail to get that 'seat at the table'

Nearly all HR organisations now include some form of 'business partner' role, with a focus on the strategic needs of the business.

However, a sizeable proportion of these roles (45%) still carry the baggage of 'transactional activity' that limits their ability to perform effectively in the role as evidenced by the fact that more than 60% still say they struggle to gain the all important 'seat at the table' that allows them to be part of senior level decision making.

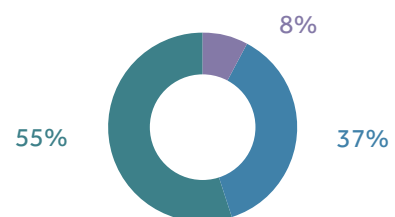
The reasons for this are varied (see below) with some evidence of divisions and in-fighting between the different HR roles.

HRBP ROLES?



Dedicated HR advisory roles	50%
HRBP roles often still transactional	45%
HR largely reactive	5%

OUTCOMES FROM HRT: HRBPS



Good – HRBPs are embedded in the business	37%
Acceptable – We are winning but a way to go	55%
Poor – We do not have a seat at the table	8%

The ugly...

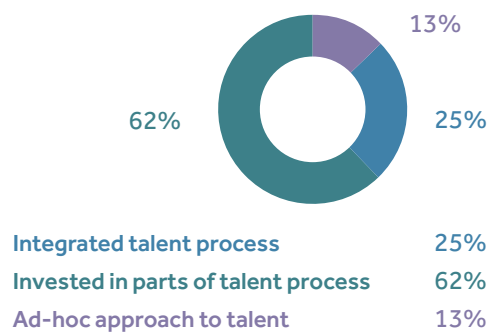
97% of organisations claimed that people issues were 'business critical' or 'highly important' to the commercial success of their organisations. If this were true we would expect to see a corresponding level of attention given to the processes of talent management across the organisation; however, this is not what we found.

(Note: For the purposes of the study we define talent management as a series of processes that include (but are not limited to) resourcing, performance, learning, succession and compensation.)

5.6 Approaches to talent management are still 'ad-hoc' and fragmented

A high proportion of organisations still do not have an integrated talent process (75%) or talent specialists for each of the key talent areas (63%). This would suggest that talent processes are disjointed and that the relationships between, for example, performance, learning and compensation are not properly established.

APPROACH TO TALENT MANAGEMENT



TALENT SPECIALISTS



Chapter Five: What did Ulrich ever do for us? *cont.*

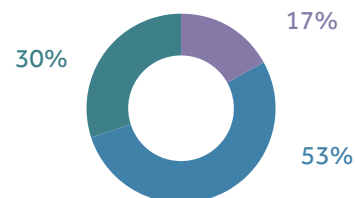
5.7 Talent management is the 'poor relation' in HR

When asked about outcomes from the talent management process, around 83% felt their talent processes acted as a constraint on the commercial opportunities of the organisation.

Only around 17% claimed that their talent process was sufficiently well developed to allow them to make rapid adjustments to meet the demands of the business. Compare this to the 30% who claimed to have achieved excellence in HR operations and it is easy to reach the conclusion that many organisations have prioritised HR operational efficiencies over talent management.

We have seen no evidence that the Ulrich model itself has hindered the talent management process but it seems clear that the development of Centres of Expertise in line with the original model has not kept pace with the improvements to HR operations and business partner roles.

OUTCOMES FROM HRT: TALENT MGT



Good – We have an integrated talent process and can make rapid adjustments	17%
Acceptable – Pockets of excellence but still opportunities	53%
Poor – We are missing a commercial opportunity with talent	30%

What role has technology played?

Key Messages:

- Despite a decade of change more than 70% of organisations are still underinvested in HR technology
- There is a direct correlation between the level of investment made and the overall quality of HR systems and data.
- Most organisations are sub-optimising their transformation programme through lack of technology investment.
- Technology integration is a vastly more important indicator of success than the functionality of the solution. Organisations that invested in integrated solutions from a single supplier were more likely to have achieved 'world class' systems.
- Development of multiple HR technology platforms based on the capabilities of each solution (often referred to as a 'best of breed' approach) does not confer any particular advantage.

In most of the organisations we spoke to, investment in technology was the 'single biggest ticket item' in the transformation programme. The cost of licences, support, implementation consultancy and associated change management can rapidly dominate a wider change programme and detract from the commercial objectives of HR transformation. It is not surprising, therefore that a failure of the technology programme often meant failure of the HR transformation programme as a whole.

We wanted to examine how closely technology investment was linked to HR transformation; what did organisations spend their money on, what were the outcomes and what really made a difference as to whether the technology worked or not.

To what extent has technology played a part on HR's journey in your organisation?

Most recognised the criticality of an integrated technology platform...

"Technology has been critical to the change – you can make this sort of change without the technology but the ratios will be very low – we would need an army to do this without the technology."

"Replacing the previous failed system was a key driver for change – learned the lessons and consolidated multiple systems onto a single group-wide system."

"Invested in employee self service, greater reliance on metrics to drive performance – recruitment will come next"

"Our technology reflects the structure and process of the HR model – we now use significantly less resource as a result of automation and self-service."

...although the majority saw underinvestment in technology as a major problem

"We lack critical data on top talent – we have done some work at the senior exec level but it comes to a sudden stop below top tier."

"We suffer from a lack of integrated systems affecting data and process at a global level."

"Talent is a journey we still have to make."

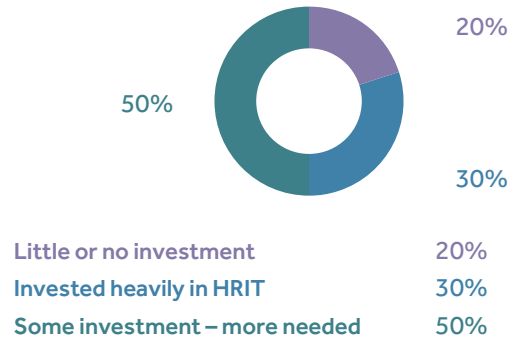
Chapter Six: What role has technology played? *cont.*

6.1 Most organisations have 'underinvested' in HR technology

Approximately 30% of organisations said that they had made significant levels of technology investment in support of HR transformation. The remaining 70% believe they have underinvested in technology to differing degrees.

Within the 'underinvested' group, it is notable that the majority have made at least some level of investment but felt that more was needed. This suggests that organisations are still failing to establish the full scope of technology they need to support their transformation journey or that they struggle to justify the investment.

INVESTMENT IN HRIT

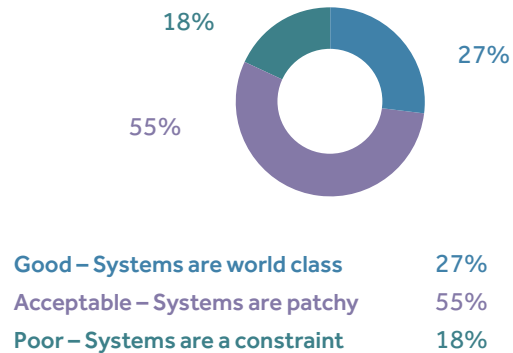


6.2 The more you invest the better the solution

When asked what outcomes had been achieved from technology investment – the responses were proportionately similar with just under 30% claiming their systems were world class and around 70% saying systems were patchy or a constraint. This suggests a direct link between level of investment and the outcome.

While this correlation might seem obvious, some organisations have suggested that it might be more cost effective to 'make the best use of the technology you have' than to invest in new technology. We have not looked at specific return on investment (ROI) from HR systems, however these figures suggest that organisations are better off investing fully in their HR technology to drive the transformation process rather than adopting a piecemeal approach.

OUTCOMES FROM HRT: TECHNOLOGY



OUTCOMES FROM HRT TECHNOLOGY

	Good	Acceptable	Poor
Invested heavily in HRIT	23%	8%	0%
Some investment – more needed	5%	38%	8%
Little or no investment	0%	10%	10%

Chapter Six: What role has technology played? *cont.*

6.3 Integration is more important than functionality

We were keen also to examine the relationship between the level of integration in HR systems and overall levels satisfaction. We found that the largest proportion of organisations (45%) maintained an integrated solution from (largely) a single supplier. Around 17% had pursued a 'best of breed' approach – namely acquiring the best in class solutions in each functional area and integrating them. Around 38% had no clear strategy for integration and had adopted an ad-hoc approach.

When we cross referenced these responses against system satisfaction we found there was indeed a close correlation between satisfaction ratings and the level of system integration.

Acquiring an integrated solution from a single supplier was the strategy most likely to deliver high levels of satisfaction. Conversely, an ad-hoc approach of poorly integrated systems was most likely to deliver a solution that acted as a constraint to the organisation.

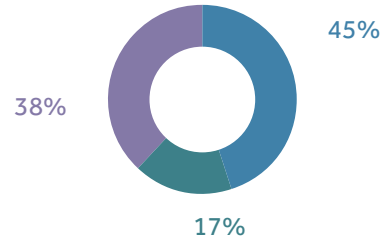
Adopting a 'best of breed' strategy appeared to carry an equal chance of success or failure. This suggests that the benefits of acquiring discrete solutions with superior functionality is outweighed in many instances by the additional risks and complexities of integrating multiple technology solutions.

6.4 Suppliers are underselling integration

Organisations were evenly split on the question of whether they would buy technology from the same supplier again. However when we cross referenced to the question of integration, this again revealed a link; organisations with the most closely integrated systems being most likely to buy again from their current supplier.

This again emphasises the link between integration and user satisfaction and also suggests that suppliers are possibly underselling the importance of effective integration.

HR SYSTEM SUPPLIERS



Single integrated solution from one supplier	45%
A number of best of breed solutions	17%
Ad Hoc – Poorly integrated	38%

LEVEL OF INTEGRATION

	Single solution	Best of breed	Ad Hoc
Good – Systems are world class	100%	82%	18%
Acceptable – Systems are patchy	100%	36%	18%
Poor – Systems are a constraint	100%	14%	71%

Q.22 WOULD YOU BUY FROM SAME SUPPLIER AGAIN

	Yes	No
24 HR system suppliers		
Single integrated solution from one supplier	67%	33%
A number of best of breed solutions	29%	71%
Ad-hoc – poorly integrated	33%	67%

How was the journey?

What helped, what hindered, what would you do differently?

Key Messages:

- The Ulrich model is easier to deploy in smaller organisations (<10,000 employees). Larger organisations face increasing risk and complexity.
- Key factors impacting the effectiveness of the model include:
 - Lack of capability in HR
 - Lack of a 'one HR approach' – disconnected HR roles apportion blame to each other
 - Lack of senior leadership to 'mandate' the model
 - Lack of consensus over critical design decisions
 - Poor systems and technology

As part of our more qualitative research we spoke to more than a dozen organisations about the journey they had made. We particularly wished to understand the issues they had faced in implementing the Ulrich model. We also wanted to know how these issues had impacted the effectiveness of the model. We found several common themes arising from implementation.

7.1 Complex organisations struggle to deliver a 'traditional' Ulrich model

A few organisations we spoke to had adopted a rigorous approach to implementing the Ulrich model with a clear differentiation between transactional, COE and HRBP roles. In addition, they had made a high level of investment in process standardisation, centralisation and automation to support this move. All these organisations were successful in reducing HR operating costs, however all in this category had less than 10,000 employees.

By contrast all organisations of more than 10,000 employees had either made adjustments to the model to suit their own business needs or had suffered ongoing problems with delivery. This strongly suggests that the Ulrich model cannot be uniformly fitted to all organisations and that increasing complexity and geographical distribution adds significant risk to the delivery process. We have explored below some of the commonly encountered issues.

Lessons learned: What would you do differently?

CAPABILITY:

Make bolder decisions, we should have run more formal assessment and not tried to fit existing staff into new roles

CHANGE:

Spend more time on the change process – we should have had a larger team and removed the blockers early

BUSINESS CASE:

Invest for the future – don't underestimate costs - ensure the business case is real and make sure someone is accountable for delivering the benefits

PLANNING:

We underestimated the time it would take, the resources required – we tried to do too much 'off the side of a desk'

LEADERSHIP:

Get commitment and alignment from leaders early – make sure messages are consistent – make the business accountable for the change

SCOPE:

Don't bite off too much – in hindsight trying to deliver the global model all at once was too risky and put too much pressure on the team

7.2 “We lack a ‘one HR approach’ – different HR roles apportion blame to each other”

Several organisations highlighted that a significant amount of transactional activity still resided with business partners making it difficult for them to deliver a true partnering role. A common complaint was that shared services were not robust enough to take on more transactional work. In contrast, others suggested that business partners were often reluctant to relinquish transactional work to a new service centre or that they sided with managers over service issues. Either way this suggested a fragmented view of HR as a function.

7.3 Lack of capability – failing to select for new roles properly

Several organisations raised the importance of proper selection processes for new roles in HR. They cited instances where existing staff had been moved into the new organisation without adequate assessment of their capabilities. In several instances this had led to a lack of critical skills to take on new roles - the most common indicators were a lack of customer focus in shared services and a lack of business engagement with business partner roles.

Whilst it may be tempting to transition existing staff directly into new roles without the awkwardness of a forced selection process, many organisations attributed the failings in their service directly to this decision.

Chapter Seven: How was the journey? *cont.*

7.4 “We have not mandated the model or we lack the leadership to make it happen”

Several cited instances where regional or business unit operations had elected to operate a different model to the rest of the business. Again reasons varied; some highlighted a lack of senior leadership and ‘will’ to make the change happen. Others cited the complexity and federated nature of their businesses as barriers to achieving a common model for HR.

7.5 “There is still significant disagreement about how the model should work”

Some claimed that disagreement on the scope of services to be included within the SSC was a barrier to achieving full potential benefits. The location of employee relations/ case management support and whether this should remain in the business or move to shared services was a common issue. In our experience this suggests a lack of early consensus around key design principles, particularly governing the scope and operation of the new model.

7.6 “We lack the technology systems and investment to make the model work”

Some organisations had tried to make the model work with minimal technology investment or by optimising use of current systems. Lack of automation, lack of a common database and processes and poor integration of people data were common problems, suggesting that investment in HR technology and HR transformation were inextricably linked .

Conclusions

It is hard to recall a management theory that has had a more profound impact on HR services than the work of David Ulrich. In the eighteen years since 'Human Resource Champions' was published, 95% of large organisations have undertaken some form of HR Transformation and more than half of them have deployed a service model based on his theories.

It is clear that this has been a positive change; in that time, many of the basic measures of HR's performance have improved – HR:staff ratios, levels of HR expertise and commercial awareness have all had a 'positive direction of travel'.

However it is also clear that much of the effort in this period has gone into the improvement of HR operations (often by means of implementing shared services) and in the deployment of supporting technology. These elements of the transformation process can consume a disproportionate amount of the budget and, in many instances have 'skewed' the priorities attached to an HRT programme.

So now, whilst 95% of organisations claim their HR operations are 'good' or 'acceptable', only around a third make similar claims for their talent processes or believe that their HR business partners are properly embedded in their businesses.

These results must be understood in context. It is difficult to gain support for strategic HR initiatives when HR administration doesn't work properly – transformation must always begin with the basics. However, whilst efficiencies in HR operations have undoubtedly driven valuable cost savings, the commercial opportunities offered by improving the processes of talent management are far greater and run right to the heart of business strategy.

Therefore, whilst the HR efficiencies we have achieved have undoubtedly been valuable, we suggest that now is the time for HR to make a committed investment to the talent processes that have the greatest potential to deliver commercial benefits. Investment in integrated talent processes, talent specialists and talent technology solutions will ensure that HR continues to build on the early successes of HR transformation.

If you would like any further information on this report or any other aspect of our work, please contact Allan Boroughs at allanboroughs@orion-partners.com, tel.: +44 (0)207 993 4699