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Lowering Costs
and Adding Value*



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Enabling HR Transformation in the European Public Sector: e-HR and Outsourcing

By Ahmed Limam, HR Access Solutions

Introduction

Rightly or wrongly, government organizations in Europe, as in other parts of the world, are associated with high costs, inefficiencies, low performance and disconnectedness from citizens' needs. These perceived ills are in stark contrast to the much-vaunted superior situation in business described as more successful at controlling its personnel costs, with a work force better aligned with corporate goals and offering more challenging work to career-conscious employees. Reality, as is often the case, tends to lie between these two extremes, with some private sector organizations run as static bureaucracies and some government organizations, especially at the central level, eliciting many of the traits usually associated with corporate Europe.

If we take a geographic perspective to this best-run/worst-run dichotomy, there seems to be a tendency for Northern European government organizations to belong to the first category, with Southern Europe's public sector closer in its management style to the second one. But here again, one has to be careful not to over generalize, as real-life scenarios are more complex, with several factors driving the two sides closer. One factor is that the European integration process is creating a need for the various national administrations to align their management processes with one another, in a move reminiscent of how their private sector counterparts compete with each other.

Some Eastern European countries are becoming quite adept at leveraging technology to enhance the citizen-to-government experience: they may not have the broadband penetration, computer skills and skilled bureaucrats necessary for a sophisticated e-Government, which Western Europe has, but they are learning fast and technology may even help them leapfrog to state-of-the-art best practices. Estonia is a case in point. It also helps to be a young administration, not having to inherit older practices, and thus able to innovate. This is one of the few cases where being a laggard can pay off.

Human resources technology, which usually goes by the e-HR acronym, is only one side of the coin in this new European Public Sector HR reality. The other, often a sequel to the previous development, is the emergence of new delivery mechanisms, namely the outsourcing of HR functions which, in the public sector, can take various forms: either "internal outsourcing" (if I may use this apparent oxymoron), similar to the shared services model in the private sector or a full-fledged outsourcing. Here again we can see the same geographic dichotomy at play, with some Northern European public organizations increasingly adopting the offloading of HR functions to (often privately run) third parties while Southern and Eastern European public organizations are still hesitant to go down that road.

This article aims mainly at:

- Showing that the HR evolutionary paths in the various European public organizations tend to be very similar, despite the long-held claim that HR is different from country to country, especially when applied to the public sector;
- Presenting some solutions that have been implemented successfully including both technology as part and parcel of the reinvention of governmental HR known as e-Government HR or G2E (Government-to-Employee) and new delivery mechanisms such as HR outsourcing;
- Providing case studies to draw lessons from; and,
- Recommending guidelines on how to avoid pitfalls and make the best of e-HR and outsourcing initiatives in European public organizations.

Budget Constraints and Greying Work Force: Doing More With Less

Rarely has this phrase been so meaningful as when applied to the budget challenge faced by European government organizations. With no tax harmonization throughout the European Union, countries have to compete fiscally and, therefore, cannot increase taxes. The current financial-cum-economic crisis is compounding current difficulties: it may slow down the impetus to cut further

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public jobs but it will not reverse the trend. The resulting consequence are falling personnel budgets as evidenced by the work force cuts “enjoyed” by most countries in an effort to streamline public-sector employment. This trend is made even more dramatic by the greying work force: the large number of public employees retiring at the same time.¹

Country	Government personnel evolution
France	5,000 cuts in 2005 and 60,000 non replaced retirees in 2006 DGI (tax office) will see its work force reduced by 26,000 by 2008
Latvia	In order to reduce budget deficit in 2009 five percent of state work force to be cut
Portugal	Cuts of 75,000 on total of 700,000
United Kingdom	Between 2005 and 2008 aim is to cut central government headcount from +500,000 to 400,000. The Ministry of Justice alone will see 10,000 cuts (1/10 of total work force) in 2009. The Department of Work and Pensions has announced 12,000 more job losses on top of 30,000 posts that were originally due to disappear
Ireland, Sweden	Have reduced/or embarking in reduction of government employee headcount

Figure 1. Sample of the Evolution of Government Personnel in Europe.

While government organizations are grappling with fewer employees, citizen demands are moving in the opposite direction: more services, better health care and better education. To square this circle, the public sector has to revisit the way it does business, take a leaf from the commercial world’s book and borrow successful ideas from one another, including different countries. That is the condition by which we can optimize and enhance the 43.5 million employees that make up the European public sector and which still account for 25 percent of the total European work force.²

The Challenges of a New HR World

The good old days when HR, then called simply Personnel Management, dealt with just payroll and benefits, updating staff records, and reluctantly taking the occasional call from employees, are over. The winds of change are blowing against the twin ivory towers of HR and government organizations, and public employees are becoming more sophisticated in their expectations. Actually, when we say public employees, it is only fair to start earlier on in the process and talk about *future* employees. Once upon a time, especially in Southern Europe, landing a government job was the ultimate prize for many job-seekers and, for many, it still is. Now young graduates have the choice among many better-paid and career-boosting jobs in the private sector and are thus less likely to join the public sector. European governments have to rely on more than just job security if they are to attract and keep some of the best and brightest of their work force, which is the only way to guarantee that better services are delivered to the citizenry. An example of how serious governments in Europe are about this new HR approach can be seen in the way they market jobs to would-be candidates. In the not-too-distant past, a typical ad for government job would carry the title (say budget officer), the hiring organization, the salary range, the location and the inevitable reference that the position will be filled through a competitive examination. Now, the same job, say for a local government, is more likely to be advertised as carrying a sexier mission statement such as “Contributing to the financial development of your town” with other more enticing challenges. The administrative details may still be featured, especially when required by regulations, but not so prominently.

Reinventing European Government With HR

To be able to offer rewarding careers to their employees, public organizations are increasingly realizing that they need to do what their private sector counterparts have been doing for a long time: identify the competencies of their staff and the skills needed to accomplish certain missions. An increasing number of

One of the deepest impacts on the HR function has been the automation of many of its processes.

government organizations in Europe are putting competencies at the center of their HR restructuring efforts. Since January 2006, a French law (LOLF) introduces the notion of results-based performance. The old taboo of merit-based pay is being broken and once the objectives-based culture is well-established, linking performance and compensation will become standard procedure in European public administration.

This new focus on performance means that every job is now defined not only on the basis of what it costs to the public purse or where in the administrative hierarchy it belongs, but by taking into account what it actually *brings* to the government effort, and how by being successful in one job, skills learned can thus be transferred to another position, in another organization. Mobility thus becomes not only something that is done within a ministerial department, but something to encourage from ministry to ministry or even from a central government department to a local government organization or vice versa. As part of the European integration process, member-state bureaucrats will be able to move from their original national corps to another country's, something unthinkable just a decade ago, and impossible anywhere else in the world where public positions tend to be reserved for nationals.

At the recruitment level, things are changing as well, with governments trying to hire from outside the traditional pool of public servants, although in many European countries the movement in that direction is still too slow.

To encourage the move by European countries towards Transformational Government, the European Union has been benchmarking online public services for both citizens and businesses. One of them relates to job searches by labor offices and each of the 25 member states is ranked according to the quality of this e-Government HR service (see in the references section at the end of the article for a link to the regularly updated study).

Role of HR Technology

One of the deepest impacts on the HR function has been the automation of many of its processes. For example, at the beginning of the millennium when HR software vendors started touting self-service applications, most European organizations found it a revolutionary concept, not to say utopian. Now, just half a decade later, Web-based HR processes for employees have become one of the most successful HR best practices. Public organizations, although initially lagging behind their private sector counterparts, have not been long in realizing the benefits of automation. With their huge size and complex requirements, the result of accumulated layers of legislative and regulatory rules, automation represents a large opportunity for productivity gains and cost savings.

In their first efforts at automation, after deciding that their requirements were unique (after all there is only one central Spanish government!), European public organizations built their own systems. The resulting legacy systems had the merit of indeed meeting perfectly well the requirements of, say, complex payroll calculations, taking into account a multiplicity of staff records, allowances, job types, etc. Often coupled with still manual processes, separated in silos and a host of other, office productivity, software-based systems, the Old Civil Service can be summarized in Figure 2.

With the passing of time, the ever growing maze of regulations and the obsolete technical skills involved, these legacy systems have become too unwieldy.

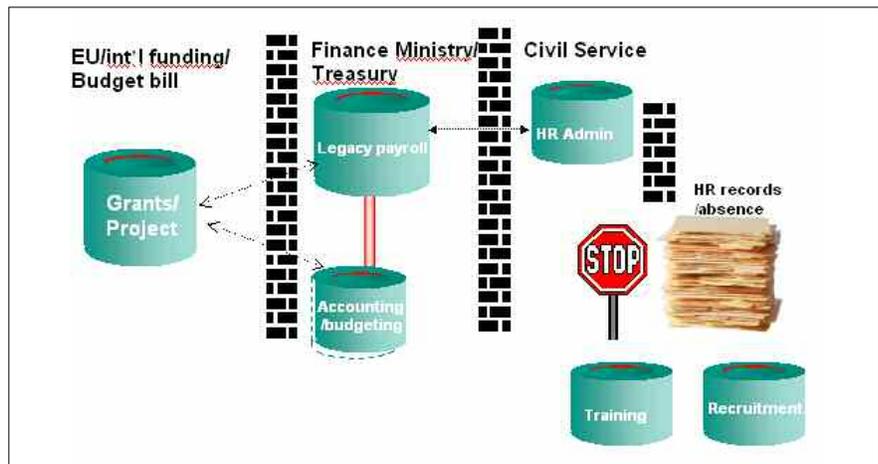


Figure 2. The Old Civil Service.

With the passing of time, the ever growing maze of regulations and the obsolete technical skills involved, these legacy systems have become too unwieldy. This situation has become too expensive and less acceptable in the face of mature, stable, functionally rich, and configurable standard software packages, which have the triple advantage of being cheaper to maintain, displaying a more user-friendly approach and incorporating HR best practices from the private sector.

Ever since the great corporate and government upheaval of the turn of the century, known as Y2K, public organizations in Europe have been moving away from the old model to a new one. It is now easier to consolidate all public HR systems into one, based on a single HR database, which any department or organization, managers and staff, can access to carry out their numerous tasks: approving the creation of positions, funding projects, evaluation skills, and conducting competitive exams to hire civil servants, etc. This new approach is summarized in Figure 3.

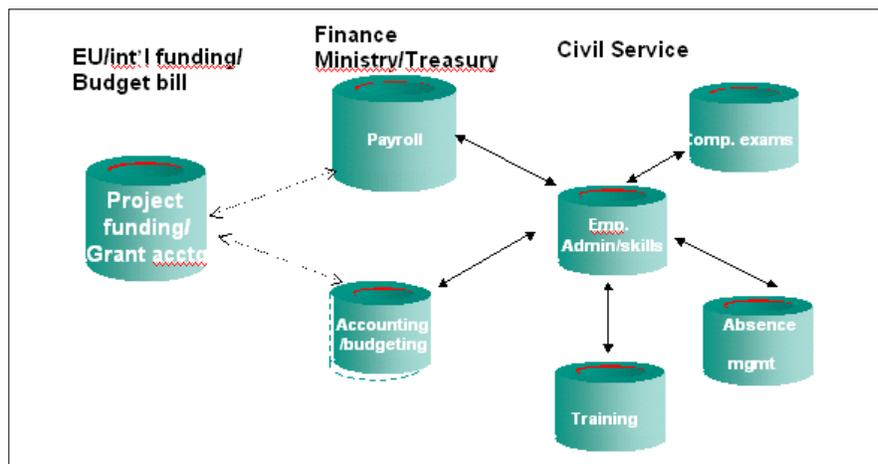
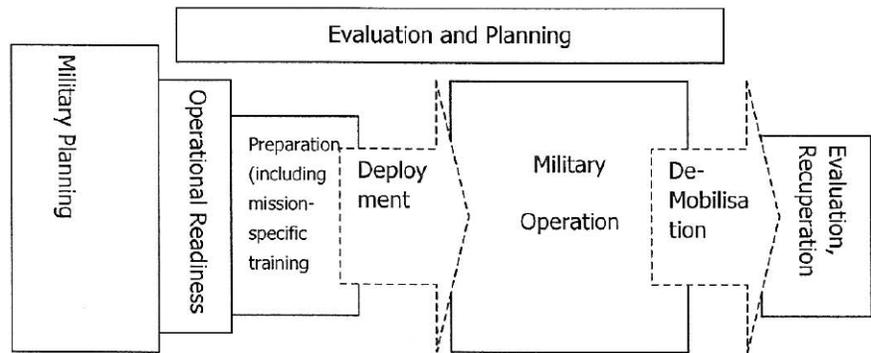


Figure 3. The New Civil Service.

Case Study 1: Ministry of Defense³

The Ministry of Defense of this medium-size Northern European country has implemented several HR modules of an ERP system, including Core HR and HR HelpDesk to manage its 65,000 employees. It is now better able to support a military operation by ensuring personnel readiness, deploying troops on the field and demobilizing them at the end of their mission. The following diagram shows the steps used in the planning process as supported by the HR system.

To service its 2.3 million Parisians, the City of Paris runs a plethora of public services employing 47,000 people.



To get a better idea of how a standard HR package meets the requirements of a military organization, the following Figure 4 lists the various requirements of the Personnel Readiness process and whether they are available in the standard offering or had to be customized.

Requirement	Available in standard package	Customization required
Define occupational structure	Positions and their characteristics, identification of key positions	Register skills and competences that only need to exist for a unit instead of attaching them to a specific job
Define compliance criteria	Define generic criteria (basic military requirements, levels of fitness...), job-specific criteria	Training programs attached to jobs, and not to unit
Match persons	Person capability administration	Some person availability administration (assignment restrictions, relative weight of capability indicators, assessment of individual readiness)

Figure 4. Personnel Readiness Process Requirements.

Figure 4 shows clearly that even in the national defense space, one of the most “governmental” of all government organizations, requirements have ceased to be so unique as to warrant custom-made systems. Some customization is still necessary to reflect unique characteristics, and probably vendor product strategy, but the HR technology glass can now safely be considered as half-full rather than half-empty. The Ministry of Defense is now moving on with a fuller implementation of all HR functionality by introducing an HR Portal allowing both civilian and military personnel to access the system directly.

Case Study 2: Inter-Departmental Mobility – Ministry of Justice

This small Southern European country’s Ministry of Justice uses a package HR system to manage 6,000 court personnel. With the automation of the HR administrative process, the Ministry can now handle staff mobility, which consists of moving employees between all country courts. These personnel movements, which take place three times a year, are very complex since employees are rated according to classification, seniority and other statuses. Where the process used to take months to plan and led to lower employee morale because of the frustration involved, especially in the less than ideal outcome, it now takes just a few weeks to complete.

Case Study 3: When Local Government Jumps on the HR Tech Bandwagon – City of Paris⁴

To service its 2.3 million Parisians, the City of Paris runs a plethora of public services employing 47,000 people. Long a bastion of bureaucratic, manual and

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paper-based procedures, the city government has recently undergone a modernization drive. The key aspects of the new HR policies aiming at streamlining them involve:

- An increase focus on individualized aspects of HR;
- Starting in 2004, an inventory of all skills needed by the city (over 330 jobs, from tree pruners to pharmacists and even to diving bell operators!);
- This being France, the 35-hour work week law has to be complied with meaning that the complexity of the regulatory aspects would have taken a toll on HR staff; and,
- Staff careers are getting a boost to allow mobility through internal postings and competitive exams.

To enable this modernization process, one of its priorities, the city has decided on implementing an HRIS system to cover not only the expected payroll and HR administration functions but more advanced talent management functions. The results are quite encouraging. The *bilan social* report mandated by law is now available every year, rather than every other year. New tools for work force planning have also been introduced. And the notoriously confrontational trade unions expressed their satisfaction at finally having HR management.

New HR Delivery Models: The Rise of HR Outsourcing⁵

At the same time as government organizations are embracing technology wholeheartedly, new structures and ways of doing business which promise even higher cost savings and potential for better service levels are emerging, mainly in the northern part of the continent. Shared services, for instance, reflect the awareness that government, due to its monopoly, is indeed unique but its component organizations (ministries, for instance) are very similar in the way they are managed. After all, they all have to follow the same Civil Service rules in hiring and compensation. Does it then make sense to still have separate HR organizations and systems for each ministry? It is much more effective to set up a shared service, which will function, for example, as the common payroll agency for all government departments. This is the approach adopted by the British armed services (Army, Navy and Air Force).

Case Study: Ministry of Defense – United Kingdom⁶

The UK MoD uses HR outsourcing to manage its 320,000-strong work force. The four major areas are summarized in Figure 5.



Figure 5. UK Ministry of Defense.

Experience shows that switching over to a modern e-Government is not as easy as turning a tap on or off.

By harmonising and simplifying its HR processes and contracting out key functions, the British Ministry of Defence has been able to achieve cost savings of over £110M annually, including a head count reduction of over 1,400 posts and devolving HR administration to those who best understand their needs – the individual and the line manager.

And then when we talk about local governments, the idea that they are unique is belied by the great number of them and the common processes that they use. Here again, the potential for enhanced performance is pushing many of them to adopt shared services. To give one example, the major cities of Holland have considered pooling their HR resources together, thus allowing them to exploit economies of scale and plow back the savings into what is their core business: better services for their citizenry.

The latest development from the shared services model takes it one step further. Following on the trend towards privatization, why not contract out such services to specialist private sector organizations? With multi-year contracts keeping a lid on financial commitments and service level agreements ensuring similar or higher quality, the gains are even higher. This third evolution of HR in the European public sector will change it almost beyond recognition and is illustrated in Figure 6.

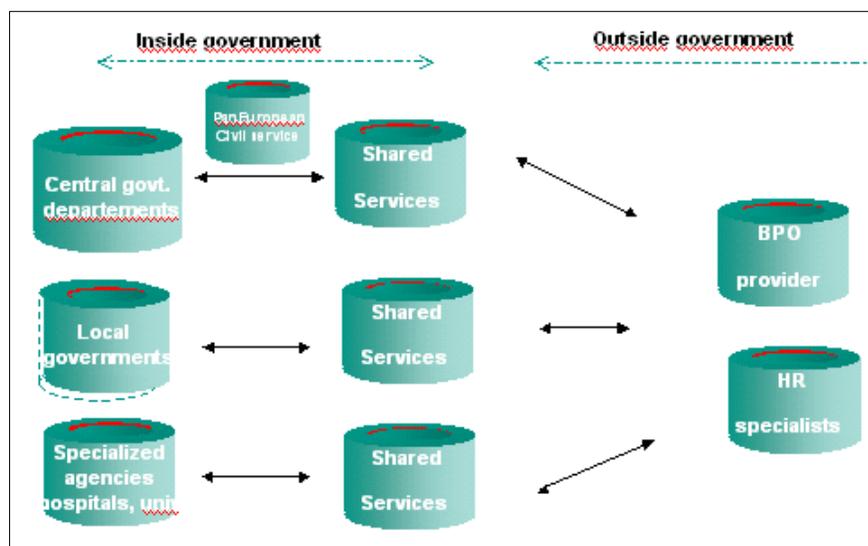


Figure 6. The Third Evolution of HR in the European Public Sector.

Ensuring a Successful Transformation: The 10 Guidelines for an E-Government HR Initiative

Experience shows that switching over to a modern e-Government is not as easy as turning a tap on or off. It has to be done through well-defined and well-planned steps as part of an overall e-Government HR roadmap. The following recommendations represent key success factors for any European government engaging in a move to modernize its human capital management (HCM):

1. Be less ambitious than you set out to be: trying to do everything at once is one of the safest recipes for failure; better start small. For instance, move all mission-critical compensation processes online, or, in the case of a skills inventory to launch a talent management effort, have at first a few key competencies defined rather than try and define every single skill the organization might want. You will always have the time later to further refine the system, a task made easier by configurable and adaptable software. Same thing if you plan on outsourcing some tasks: a key part of your success hinges on building a trusting relationship with your supplier, which takes time. Better to outsource some clearly defined processes first, then after a reasonable amount of time, assess the situation and, if satisfied, offload more tasks. In other words, think building blocks, not big bang. "E-Government works best by stealth," says an OECD official quoted by the

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- Economist* report (see the end of article for references).
2. Avoid replicating your traditional, manual processes by having an identical process online or outsourced: often some physical-world processes take longer and involve duplication as an effort to ensure security and accountability. With state-of-the-art technology, security and auditing are embedded with every transaction (e.g., who has approved an allowance raise) identified in its detail (name of user, date, etc.). Outsourcing can also be a good opportunity to expand your HR footprint: if your organization never conducted comprehensive skill assessments because you didn't have the resources or the know-how to do it, by resorting to a specialist you can start engaging in strategic activities.
 3. When revisiting your HR processes, think long-term (10 years) and not just next year, to avoid implementing quick fixes. The new business processes must also fit unmodified software, not the other way round: the more modifications to the software, the greater the risk.
 4. Discard custom-made systems, one of the most common reasons for IT failures, especially in the public sector. Custom-made systems are built to fit existing ways of working. Such systems, which consultants are only too happy to create, are expensive, deliver only marginal benefits, and are inherently likely to go wrong.
 5. When reviewing your business processes, ensure that you make the decision. Do not let consultants make that decision for you: they will not have to live with the consequences of their advice. Involve as many stakeholders as possible, especially from the user community, in the process definition effort. Do not rely on IT exclusively; they may be the implementers of the system, but they will not be the everyday users.
 6. Beware of incomplete automation or outsourcing: if one area of operations (typically absence management) still depends on handwritten forms, little will be gained. To this end, they must be business applications that have been engineered from the outset to work together. These may not individually be the "best-of-breed" that consultants often recommend, but they are more likely to be properly integrated. Also, if you are considering outsourcing, do it by full HR area (recruiting, training and payroll) and not by bits within each. This will prevent further problems.
 7. Prioritize your requirements. With time and money, everything can be automated. But chances are that you will be missing both. It would be much more efficient and effective to focus on vital data and processes. At later stages, you will always have time for "nice-to-haves."
 8. Introduce technology as part of an overhaul effort: inasmuch as possible and provided it is allowed by the various government law and regulations (including EU directives), try to revisit your processes. Some have acquired legitimacy just because they have been in use for a long time, not because they bring particular value to your employees or citizens. Use the process review to identify, change, update or simply root them out.
 9. Learn from each other. With European nations collaborating and consulting one another on many subjects including HR, especially as part of the EU integration process, central and local governments have a unique opportunity to compare situations, learn lessons and avoid pitfalls. E-Government best practices in HCM is one of the most effective ways to learn from each other.
 10. Have a good owner and sponsor. The public sector has traditionally been plagued by diffuse responsibilities. When everybody owns the same piece, nobody does. Make sure that one single, experienced, credible project manager is in charge, and that he or she has strong political backing. That would be the best way for them to overcome resistance to change, which can be particularly strong in government organizations. Without Tony Blair's active political support, the British National Health Service would never have embarked on its wide-ranging reforms which are culminating in a 10-year £325mn HR project.

Governments can use technology to achieve their HR aims, adopt new ways of doing business by resolutely embracing the future, which, in many instances, is already the present.

Conclusions and Coming Trends

It is clear that to a large extent European government organizations have not taken advantage of all that technology and outsourcing can bring them. Several obstacles are still hindering the way forward: cultural blocks and resistance to change, lack of technical resources, weak IT culture, and complexity of some processes which, unlike the private sector, cannot be modified at the stroke of a pen since they are often mandated by law. And yet, governments can use technology to achieve their HR aims, adopt new ways of doing business by resolutely embracing the future, which, in many instances, is already the present. There are many areas where successful modernization of government can be achieved, and in doing so make the work experience of civil servants more rewarding. Sometimes, all it takes is a visionary with a mandate to make things happen.

For the more sophisticated of e-Governments, the next steps will be to move to what can be labeled as "e-Gov 2.0" and "m-Government" maybe even "o-Government." Example of the former include wikis and blogs to communicate in a faster and more effective manner, post job vacancies on social network Web sites such as Facebook. M-Government initiatives would include dealing with government through pared down Web pages, barcodes sent as pictures and simple text messages to post job vacancies. "O-Government" would refer to, for instance, payroll for several agencies consolidated out with one provider, public or private.

Regardless of the approach adopted, one thing is clear, government HR transformation is an area where laggards rarely draw a competitive advantage. The earlier the public sector adopts a comprehensive, realistic, and relevant outsourcing-based strategy, the more securely will they reap its benefits, and so will the citizenry.

Endnotes

1 See the excellent report by OECD, *Ageing and the Public Service: Human Resource Challenges*, Aug. 2007. It addresses how several European countries are addressing cost containment, productivity, maintaining capacity and reallocation of resources.

2 IDC, *Western Europe Employment and GDP by Industry*, Dec. 2005.

3 For confidentiality purposes, the names of the government agencies/countries are withheld, unless otherwise mentioned.

4 For more detailed information, see "Paris: Les ressources humaines sont capitales," published by *Entreprises et Carrières* (in French), Feb. 12-8, 2008.

5 *Outsourcing in Government: Pathway to Value*, a report by Accenture, shows that already back in 2003, more than 25 percent of government outsourced projects involved HR matters.

6 Most of the findings on this case were taken from the *HRO Magazine* article "Saluting HRO," published in March 2006. It is available at the following URL: <http://www.hroeuropa.com/Magazine.asp?artID=1158>

Further Reading and Resources

European Union's e-Government Web site: <http://www.euractiv.com>

European Commission e-Government Observatory (country benchmark fact-sheets): <http://ec.europa.eu/idabc/en/chapter/203>

European Institute of Public Administration: <http://www.eipa.nl>. In particular, the following studies: "Are Civil Servants Different Because They Are Civil Servants?" by Christoph Demmke, and "Public Administrations and Services of General Interest: What Kind of Europeanisation?" under the direction of Michel Mangenot.

Organisation for Economic Co-operation and Development (OECD), *The Senior Civil Service in National Governments of OECD Countries*, January 31, 2008.

"The Electronic Bureaucrat: A Special Report on Technology and Government," *The Economist*, Feb. 16, 2008.

"Assessment of Benchmarking within Government Organizations," Accenture, May 2006.

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