How to successfully transition to HR BPO

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People and transitioning - the psychological factors we can’t afford to ignore
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Transitioning your organization to international HR Outsourcing
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People and transitioning
The psychological factors we can’t afford to ignore
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People and transitioning the psychological factors we can’t afford to ignore

Globalisation, technological change, merger, down-sizing, outsourcing: the buzzwords of business made it all too easy to forget that essentially commercial success depends on people. More specifically, it depends on a workforce that is skilled, productive, motivated and engaged with the organisation and its objectives.

However, during major change or re-structuring, keeping staff “on message” and “on-side” can be a challenge. Uncertainty and fear can breed resistance and disaffection which, in turn, lead to reduced productivity and profitability.

This article explains how to avoid this scenario. Instead, it explains how to identify and address human and psychological factors in a positive way – and so ensure any re-organisation or outsourcing of commercial functions results in enhanced business performance.
People and transitioning
the psychological factors we can’t afford to ignore.

1

Permanent transition – the emerging challenge

“The abnormal has become normal, endless upheaval and chronic insecurity has become the norm”, Living Leadership.

Transition is what occurs during the time when the old and the new ways of doing things are being sorted out and is a process with many implications for business strategy and people in the workplace.

Some leaders view organisational change – no matter how large and wide-reaching - as part and parcel of working life. Consequently, such leaders also believe that the workforce must accept change, put their feelings aside, “live in the real world”, “get with the programme” and STOP moaning.

In my experience, this view of employees is short-sighted and makes poor business sense. Quite simply, a failure to address the psychological implications of transitioning people will compromise the potential gains of outsourcing any organisational function.

As globalisation escalates and our workplaces undergo wave after wave of transformation a new challenge is emerging for today’s leaders: how to look after members of staff well-being and help them achieve the desired response to change. Leaders cannot take for granted that individuals will accept uncertainty as a given or that people will master transition just because they have experienced it. The employer-employee psychological contract is changing everywhere.

2

The employer-employee contract

Let’s look at the relationship between an employer and employee. It’s mainly an implicit arrangement and incorporates elements such as mutual expectation and reciprocal commitment. These arise from feelings of trust and dependence. Expectations are based on cultural traditions that in some cases are rooted in national values. Changing the formal processes and procedures within an organisation by introducing new ways of working can break the contract and destroy trust - unless the psychological factors are recognised and properly addressed.
Transitioning is a huge subject which can affect all areas of working life. If we accept that organisations are living systems then outsourcing just one department will have implications for and impact many areas: the organisation’s vision, direction, strategy, structure, behaviours, relationships with customers, career aspirations and culture (“all the ways we do things around here”).

Tensions are normal when members of one culture are required to interact with a second culture and adopt its way of doing things. It is even more of a challenge when cross national issues have to be accommodated. However human beliefs, values and emotions remain central motivators for change in personal behaviour. How those emotions are expressed depends on social conventions and need to be understood and sensitively handled during transition.

Much of the “transition” takes place internally, within individuals, as they come to terms with change. Much of the turmoil is invisible which is why many outsourcing initiatives, wrongly, do not think their process has to be people intensive. Left to flounder, members of staff can cling to the old way of doing things because it is familiar and comfortable. Organisational change can create huge uncertainty and fear. After all, it is often prompted by the need to reduce costs – and reduce headcount. But efficiency and customer service levels must be maintained. How to keep the workforce motivated and effective, especially during transition, poses particular challenges.

Clearly the answer lies in paying attention to the human side of the transition process. It is too important to ignore, since it is people and their relationships at all levels that will make or break a speedy, productive transition and ensure “business as usual”.

Managing transition well is a technical and emotional discipline which all leaders need to master. This skill should not be left to the board, senior managers and HR, although they play a crucial part. All line managers have an important role to play and are vital to successful transition. Managers who ignore the human side of change quickly show themselves as ineffective leaders.

For managers who balk at being “touchy-feely” there’s some good news. Dealing with the psychological changes of transition is not a burden they should alone. In fact, empowering staff is one of the most successful ways of helping them to cope with organisational change. Amidst uncertainty, ambiguity, new ways of working, new role definitions, new locations, job losses and the general chaos of change, it is possible for individuals and their managers to manage themselves proactively and positively.

The key is to enable members of staff to take more responsibility for their part in the transition, to engage them in the process of change and to support each other in delivering improved future performance for the organisation. In short, it’s about letting an individual feel in control of his or her destiny.

It is a common misconception that the skills of Leadership are only relevant to few people, but leadership is a critically important skill for everyone and can be learned. It starts with personal growth and engagement.
One measurement of the health of the relationship between employer and employee is the level of “Employee Engagement” – the extent to which staff deploy their discretionary effort.

Good employee engagement as a desirable outcome of transition is fast creeping up the strategic agenda of all organisations. The main reason for this is that employee engagement is a leading indicator of financial performance in organisations. Quite simply, good engagement makes for successful business.

Let’s take a closer look at some recent UK research. In 2009 The Engage Group Ltd, a specialist employee engagement consultancy, surveyed 23,585 people, including 2,500 board–level executives, from a broad range of sectors. Nearly 2,000 respondents worked for the FTSE 500 companies, 12,500 worked in the private sector and more than 8,200 in the public sector. The research set out to examine whether there is a correlation between high levels of engagement and improved operational performance in both corporate and public–sector organisations. The research also aimed to establish what approaches to employee engagement make the most impact.

The results included the following findings: board members viewed strong customer satisfaction (56%) and strong leaders (32%) as the most important drivers of organisational performance closely followed by high employee engagement (30%). Other factors traditionally seen as important were ranked lower: compelling strategy (19%), disciplined execution (17%), strong innovation (13%) and clarity on sources of growth (7%).

Half the board members who said they have engaged their employees to perform well have seen turnover increase in the last year. 60% cite employee engagement as a priority for their board.

The conclusion reached on the “view from the top” is that there is a direct relationship between the financial performance of an organisation and the extent to which employees are engaged to perform.

However, the picture painted by employees was very different. Only a minority of employees (37%) felt genuinely engaged by their organisations. The Engage research revealed the elements key to successful employee engagement. Top of the list is the level of satisfaction with the way change is managed.

The following factors are also essential:

- Employees want to feel more empowered to make decisions and be involved in decision making.
- They want to understand their contribution to the strategy.
- They want to be motivated and inspired to do their best work.
- They want to feel they are treated fairly and are proud to tell others that they work for their organisation.

These finding are also supported by the results of a Global Workforce Study, carried out by Towers Perrin in 2005, and referred to in David MacCleod’s book “The Extra Mile”. Watson Wyatt’s 2007 “Work USA” survey of 12,204 full time employees also confirms the link between financial performance and employee engagement.
Clearly, therefore, it makes sense for managers to identify how they want staff to feel before, during and after the period of transition – and then also work out how to achieve this objective.

Some managers do acknowledge the theory and principle of the psychological aspects of transitioning people. Unfortunately, they sometimes also view addressing the issues as a task akin to implementing technological, logistical or geographic change. However, this approach does not work when it comes to individual psychology.

Often the solutions devised without proper consideration of individual psychology are ineffective, counter-productive and reduce engagement further.

An example might be a programme of change devised to save cost and improve efficiency. The change is announced. The manager tells staff that not everyone will be affected. But, there the communication stops. Nothing has been done to address the most likely individual reaction: “It’s going to be me”.

Example of employee engagement

The project objective was to execute a refreshed strategic approach to customer service and employee engagement following a change of business ownership. The manufacturing company in question provided a range of initiatives which included individual coaching and small, intensive workshops for the board and senior managers following completion of 360 questionnaires. The aim was to increase more “joined up thinking” across the organisation and build robust senior teams equipped to execute change and deal with increasingly turbulent times. At the same time, managers reflected on their leadership behaviour and emotional intelligence. They supported the principles and behaviours of Steven Covey’s “The seven habits of highly effective people” bottom up, throughout the organisation as a means of fostering increased staff engagement.

The habits are:

• Be proactive (self motivated)
• Start with the end in mind (goal focused)
• First things first (manage personal time effectively)
• Think win win (feel good about decisions and actions)
• Seek first to understand then to be understood (listen and build relationships)
• Synergise (look for connectedness, cooperation and creativity)
• Sharpen the saw (learning agility and investment in personal development)

Despite economic downturn, members of staff are positive and sales targets remain achievable. Leaders are shifting their behaviour as employees become more proactive.

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Despite economic downturn, members of staff are positive and sales targets remain achievable. Leaders are shifting their behaviour as employees become more proactive.
It is also best practice to give people support during the “limbo” period – the time when organisational change is announced but the impact on individuals is still unclear. People experience loss of control and power. Self-esteem is destroyed. Anxiety increases. So too do sickness absence rates. Overall productivity decreases.

**Example of best practice**

A company in preparation for merger provided all their staff with a development programme delivered over a six month period entitled “Investing in me”. This was supported by a creative communications campaign. The approach enabled staff to increase their readiness for change and increase their learning agility. It also gave people time to plug their skills gaps to make the most of the opportunities provided by the new, merged organisation and elsewhere in the job market.

**Example of people transitioning**

One major energy group redefined its structure, relocated departments, closed offices and moved HR, IT and Finance into a shared services arrangement. The support services provided to managers included briefing and coaching them on how to break difficult news across geographically spread locations.

Workshops were designed for staff “in limbo” or “at risk”. These workshops used proven tools and techniques to assist individuals to take ownership of their own personal reactions to change. Career Management Support across the organisation was made available as soon as the news was announced and could be accessed via regular workshops, face-to-face sessions, workbooks and on-line materials.

As a result, staff movements were managed effectively, people were redeployed across the group and others moved on to pastures new with their self esteem in tact.
Planning – early intervention is vital

As soon as uncertainty is introduced into complex organisational systems interventions should be made to manage any impending change.

It is important to recognise that there are always impatient leaders who may feel time spent on psychological issues at any stage of a transition is time wasted. These individuals are likely to be task focused, follow a methodical decision making process and just want to ‘get on’ with the results.

Of course, this ability to detach from emotion and drive a vision is very important in giving clarity and direction. However, these managers need to understand that people will feel emotional about even small changes, will want to talk about what this change means to them, and will feel anxiety in the face of uncertainty.

At the outset, the leaders of any programme of change need to ensure all their managers understand that successful transition depends on addressing psychological needs.

Time spent at the planning stage anticipating manager skill requirements, individual staff reactions and their consequences is invaluable.

It should be stressed that a programme of interventions to deliver a smooth transition must balance both the logistical needs of the organisation and the emotional needs of employees. Both aspects need to run concurrently.

A well managed process will take into account how people are likely to react and will have considered as a minimum.

- Any shift in culture “the way we do things around here”
- New processes, terms and conditions
- A realistic time plan
- Coaching of senior managers if needed
- Agreeing and refining messages,
- preparing scripts and answers to likely questions ahead of announcing the change to internal and external customers.
- Organising a branded communications campaign early so people can be informed in the most empathic manner and two way communication encouraged
- Giving support to line managers who need to: communicate consistent messages handle individual emotions of employees manage challenging conversations
- Putting in place a programme of development for managers requiring increased assistance.
- Offering employees group and individual help according to their needs. Where employees have to compete for internal jobs for instance every effort should be made to create a fair start point for all so a fair appointments process can be implemented

The logistical and technical schedule for the implementation of a new system will pinpoint key touch points when communications or training will have the greatest impact for the business.

Some organisations brand the transition process, creating a visual symbol of the change. They mark the milestones and celebrate success. This can help to link the physical and emotional manifestations of the change process. It can move people from feelings of doubt and resistance to acceptance and a commitment to new ways of working.
There are three major issues always relevant to all transition experiences:

- Understanding individual emotional reactions to change
- Internal communications
- Leadership behaviours

Let’s stress again that these issues need to be considered at the strategic planning stage of any change/outsourcing initiative.

The Change Curve – charting the psychological response

The change curve is a tool for illustrating human emotional response to change. The curve was first introduced by Kubler Ross in her research on the feeling of loss during bereavement. It has now been used and adapted to explain and understand human emotions when faced with a myriad of changes in our lives, including changes experienced at work.

Feelings of loss can be provoked when any action, event, situation or relationship comes to an end. “The Challenge of change in organisations”, by Nancy J. Barger and Linda K. Kirby, lists the kind of losses people encounter during organisational changes: loss of familiar territory and people, networks and resources, knowledge and expertise, security and confidence, ownership, structure and clarity, an anticipated future, meaning and direction, control and predictability, power and influence and friends and colleagues.

It’s important to note that even “good” change which is planned, hoped for or welcomed involves some form of loss. Not surprisingly, change which is imposed by someone else is often more difficult for an individual to handle and can evoke strong emotions. Even when change seems rational on an intellectual level, emotionally an individual may feel completely out of control and powerless. This can lead to feelings of anxiety and, in some cases, debilitating stress levels.
When we look at the change curve it is important to remember that the emotions listed are common to all humans. Having feelings is not a failing!

Look too at the line across the top of the curve – this illustrates the emotional state and journey of the leaders and managers who have instigated the change. Of course, they personally may have experienced the ups and downs of the curve. However, by the time the change is announced they are usually at the point of commitment to a new future and new opportunities. Line managers may be at a different point on the curve. For example, if they’ve been prepared and developed to manage change effectively they may have reached “acceptance” of reality. Individuals in the rest of the organisation can be anywhere on the curve.

Previous experience, resilience to change, personality and circumstances, can all affect an individual’s location on the curve and the speed of their journey along it. It can take hours, weeks or years to complete.

For many people, especially those experiencing major change for the first time, going along the curve will also provoke feelings of bewilderment, fear, frustration, mistrust and lack of control.

It is more than likely that every individual who experiences change will travel this curve, whether they are aware of it or not. Clearly the role of effective leaders and managers during transitions is to help their staff navigate the curve successfully.
### The change curve – management behaviours and responses

#### Change curve – reactions and management behaviours

<table>
<thead>
<tr>
<th>Denial</th>
<th>Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Signals</strong></td>
<td><strong>Signals</strong></td>
</tr>
<tr>
<td>• Apathy, indicated by remarks like “There is nothing that we can do about it” or “It doesn’t matter what I think”</td>
<td>• High energy – people are buzzing again</td>
</tr>
<tr>
<td>• Numbness, as though they have gone into a state of shock</td>
<td>• Determination that nothing should stand in their way</td>
</tr>
<tr>
<td>• Conservatism – the feeling that there is nothing wrong with the way things have always been</td>
<td>• Ownership of the new way of doing things</td>
</tr>
<tr>
<td>• Passivity – the tendency to just keep quiet in the hope that it will blow over</td>
<td>• Co-operation</td>
</tr>
<tr>
<td><strong>Management Actions</strong></td>
<td><strong>Management Actions</strong></td>
</tr>
<tr>
<td>• Confront them with information Give facts and figures</td>
<td>• Persuasion – helping others further back in the change cycle to come on board</td>
</tr>
<tr>
<td>• Explain that the change will happen. Keep repeating it</td>
<td><strong>Signals</strong></td>
</tr>
<tr>
<td>• Explain what is expected of them</td>
<td>• High energy – people are buzzing again</td>
</tr>
<tr>
<td>• Suggest actions that they can take in handling the situation</td>
<td>• Determination that nothing should stand in their way</td>
</tr>
<tr>
<td>• Allow time for them to digest the changes</td>
<td>• Ownership of the new way of doing things</td>
</tr>
<tr>
<td>• Allow time for people to talk it over</td>
<td>• Co-operation</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Resistance</th>
<th>Exploration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Signals</strong></td>
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</tr>
<tr>
<td>• Withdrawal – shutting the world out</td>
<td>• Confusion or chaos – uncertainty and indecision about how to proceed</td>
</tr>
<tr>
<td>• Anger or defiance</td>
<td>• New ideas – an eagerness to try new ways of doing things</td>
</tr>
<tr>
<td>• Avoidance or excuses – failing to deal with the change by getting on with other things</td>
<td>• Lack of cohesion – plans not yet fully formed</td>
</tr>
<tr>
<td>• Blaming someone else</td>
<td>• Experimentation – trying different things, reviewing and amending</td>
</tr>
<tr>
<td>• Anxiety or depression</td>
<td><strong>Management Actions</strong></td>
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<tr>
<td><strong>Management Actions</strong></td>
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</tr>
<tr>
<td>• Listen to them and let them vent their resistance</td>
<td>• Set priorities to enable them to focus on key issues</td>
</tr>
<tr>
<td>• Acknowledge their feelings and show empathy</td>
<td>• Provide support and training if they need new skills</td>
</tr>
<tr>
<td>• Be encouraging and supportive</td>
<td>• Set short-term objectives so that they carry out one step at a time</td>
</tr>
<tr>
<td>• Avoid telling them that they have got to change or pull themselves together</td>
<td>• Hold regular planning sessions</td>
</tr>
<tr>
<td>• Let them mourn the ‘loss’</td>
<td><strong>Signals</strong></td>
</tr>
</tbody>
</table>

**Notes:**
- Signals are indicators of reactions to change.
- Management Actions are strategies for responding to those reactions.
This diagram illustrates four of the stages on the change curve: Denial, Resistance, Exploration and Commitment.

The traits exhibited by an employee at each of these stages can help managers work out where he or she is on the change curve and respond appropriately. This diagram also lists the desired management behaviour most likely to keep employees engaged through transition.

This diagram could imply that these stages neatly follow one after the other. In reality individuals can get stuck or go backwards and forwards between stages as the transitioning process unfolds.

Helping people get through this curve requires understanding and support from colleagues, family and managers. Leaving people stuck in denial or resistance hinders an organisation's productivity, its financial performance and disengages employees.

It’s important not to fear emotion but to embrace it as a positive force. Research into emotional intelligence shows it gives us a kind of energy. If this energy is harnessed properly during a period of transition it can fuel the process of managing ourselves and others.

**Resistance – effective and positive handling**

To manage change sensitively and positively should be the goal for every good leader. However, a calm, patient approach can be most taxing when employees exhibit resistance.

As figure 1 shows the signals of resistance are particularly unpleasant - anger, defiance, blame and confrontation. It is easy to brand people trouble-makers or worse.

But it’s important to understand the motivation behind resistant behaviours. It usually indicates extreme emotion and a lack of acceptance of the changing situation.

Correct management response at this stage is crucial to individual and organisational progress. Positive actions are outlined in the diagram.

They include acknowledging feelings, allowing time and space for them to be vented and being encouraging and supportive.

As soon as an individual exhibits any of the “Exploration” signals a manager needs to respond appropriately. This will help to move the individual along the change curve and cement their new location.

Resistance often takes huge amounts of energy. That energy needs to be tapped into and re-directed. It can help the individual to accept and explore the new situation and aid the overall transition process. The best way to release that energy is through communication and support initiatives - and good leadership.
An example of understanding resistance

In the first of many reorganisation and change initiatives for a government department a series of one-day workshops were designed entitled “Leading change”, “Managing your people though change” and “Supporting staff through career change”. Time was given for members of staff to vent their feelings and acquire the skills to move themselves into an exploration phase whilst helping others manage their feelings of resistance. These workshops were underpinned by the offer of one-to-one coaching for individuals and managers. Some people required further assistance or specialist help to become better communicators or increase their awareness of their personal leadership style.

Most people were redeployed within this or other government departments following an intensive interviewing period. Others retired or volunteered to leave the service.

10 Internal Communications Campaign – talk the talk

Any well-planned change programme must include a robust, effective internal communications strategy with clear objectives to devise messages to empower employees rather than purely instruct. Without them, the “rumour mill” and social media networks will plug the gap.

Communications and PR expert Di Burton of Cicada Communications Ltd says, “During times of change, frequency of communication needs to increase dramatically in order to overcome barriers and resistance. It is vital to connect the communication to the organisation’s business strategy.”

When situations become uncertain, managers often choose to say as little as possible, as they are unsure of the facts themselves. However best practice is to communicate honestly and openly. If there is no new news then say so. Put support in place to assist people to manage their feeling of being “in limbo”.

All communications need to be viewed from the employees’ point of view. If not messages can appear inconsistent, incomplete, unclear and unfair.

Di Burton says, “In any major reorganisation or change programme, people should be informed of the rationale for the changes – not just the ‘what’ but the ‘why’, so that it makes sense to them and so that they feel informed and better able to embrace the changes. However, this should not just be approached on the basis of what it means to the organisation, but also what the implications are to them as individuals.”

Communications need to prioritise and clearly outline the personal implications of specific organisational changes, put into context for the individual. Procedures need to be put in place for bottom up two way conversations. Only then can people get to the questions of ‘what’s in it for us?’ and ‘how can I help?’

In the area of internal communication, if people do not have answers to these basic motivational impulses they are unlikely to take in any other information. “Messages need to create a sense of belonging to hold people together during difficult times”
Leadership Behaviours

There are many books written about theories of Leadership. However best practice during organisational transitioning is to be authentic, know yourself and the impact your behaviour is likely to have on others. How leaders behave in times of change is noticed by everyone – there is no place to hide.

Good leadership has a cascade effect. Employees observe positive role models. Leadership behaviours are replicated in the culture of the organisation. Never is this more crucial than during a major re-organisation.

In organisational transitions, leaders who manage change effectively are those that prioritise employee engagement. They recognise employees want to have a voice in shaping their futures – especially when change is imposed. They share their power and include their staff in day-to-day decision making. They understand that this is the “trade-off” for staff commitment.

But often to achieve this new employer-employee contract demands a shift in leadership style and behaviours. Managers need to be brave, self-aware and authentic. They also need to be supported and given confidence that this “inclusive” approach will work.

Managers who only have one management style during transition will have the most problems in taking people with them through change, particularly if that style is one of “command and control”.

Daniel Goleman in his book “The New Leader” highlights the way in which great leaders move employees emotionally.

- Visionary – when change requires a new vision or direction
- Coaching – helps improve performance and builds long term capability
- Affiliative – connects people, heals rifts in a team, motivates during stress
- Democratic – gains commitment through participation, builds buy – in
- Pacesetting - high standards, meets challenging and exciting goals (use with caution, can lead to burn out )
- Commanding – soothes fears by giving clear direction in an emergency (use with caution, can lead to dependence)

On a very practical level, transition project teams and line managers usually need help – extra training or administrative support. It can allow them to cope better with the increased time and effort spent on the face-to-face communication and other challenges provoked by good employee engagement. This requirement for additional support and techniques is particularly true for less experienced line managers. Uncomfortable conversations are a common bi-product of organisational change, especially if individuals become needy and demanding. A thorough understanding of change theory and practice can ease the burden and increase confidence.
Time for a change - what’s next?

Good management of the psychological aspects of transition makes the greatest contribution to organisational effectiveness before, during and after the implementation process.

The best organisations always have an eye on their brand and on the long term strategy. They understand that change and uncertainty in any part of the organisation system makes people feel insecure about their future and will most likely adversely affect morale.

As we’ve seen, crucially, a major driver of employee engagement in the workplace is the extent to which employees are satisfied with how they are involved, or not, when their organisation manages and undergoes change.

To manage transition well involves understanding emotions and how to respond to them, ensuring robust, consistent and frequent communication – and a leadership style which acknowledges the individual’s role in the organisation whole.

Done well, the transitioning process can create the base of a refreshed culture, foster inclusion and collaboration, encourage innovative solutions and new ways of doing things and attract and retain committed future employee talent.

Now it’s time to put all this theory into practice. We’ve looked at the key psychological aspects in a transitioning process. Below is a transition checklist alongside the communication activities to help you. The list shows how employee engagement and communications activities should run in tandem to achieve the maximum benefit from any transitioning project.

The list has been put together by Barbara Paterson and Di Burton and adapted from texts by Richard Knowdell “From Downsizing to Recovery” and Melcrum’s special report on “Communicating during economic downturn” by Aniko Czinege.

An example of building the capacity for managing transition

A financial services company and a private/public partnership wanted to transform parts of their business. Their approach included providing workshops and coaching to help individuals and managers to build a “toolkit” of change management skills and disciplines. This was then used to equip project teams and volunteers in the programme of change with increased skill levels - and the capacity to remain resilient through transition.

Experienced managers expect over-reactions to change and anticipate a dip in productivity. They look for ways to keep confidence and morale high. They understand that for some people change may remind them of a previous bad experience. In these circumstances they will give more reassurance and help to explore and try out new scenarios.

Good managers know their workforce and their skills. They are aware that staff asked to do tasks in new ways with new terms and conditions can start to question their own competence and feel insecure. In contrast, for others the learning agility needed will be a real motivator.

Good managers increase their level of interaction. They “floor walk” more and communicate both informally and formally. Their behaviour and messaging is consistent.

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Good managers know their workforce and their skills. They are aware that staff asked to do tasks in new ways with new terms and conditions can start to question their own competence and feel insecure. In contrast, for others the learning agility needed will be a real motivator.

Good managers increase their level of interaction. They “floor walk” more and communicate both informally and formally. Their behaviour and messaging is consistent.

An example of building the capacity for managing transition

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Your Transition Check List

**Employee engagement activity**

**Pre-transition:**

- Identify critical questions to ask before implementing the change:
  - Does the organisation have the capability and capacity?
  - Do managers in particular have the required skills?
  - Is coaching required?

- Set up a cross-functional transition team including HR and key managers that will influence the future direction.

**Transition:**

- **Company mission and future direction**
  - What is the future direction?
  - Will the vision change?
  - Will the organisation be in the same business going forward?
  - How will the transition affect the culture?

- What culture needs to be fostered in the new organisation?

- **Rational and the name of the transition exercise**
  - What are the business reasons?
  - What will the transition be called?
  - What will the organisation say publicly?

- **Options**
  - Are there a number of optional strategies for reducing staff numbers?
  - What are the financial costs for each option?
  - What cost savings are required?

- **Impact on employees**
  - What criteria will be used to determine who goes?
  - What is the profile of the employees leaving?
  - What will be the impact on people staying?
  - Will there be an impact on cultural diversity?
  - How will the organisation maintain morale?
  - How will the criteria impact:
    - Executives;
    - Managers;
    - Trade unions;
    - Other employees;
    - Temporary staff?

**Communications activity**

**Pre-transition:**

- Gain feedback from employees early and keep a ‘temperature check’ of emotions. Anticipate concerns and likely questions and prepare answers. Support managers in their role as communicators
  - Define core messages
  - Prepare scripts for and practice difficult conversations
  - Prepare presentations
  - Coach where necessary
  - Develop the cross functional team

**Transition:**

- Create the culture you want with carefully constructed messages and behaviours
  - Involve individuals, don’t let rumours dominate
  - Listen and encourage two way, bottom up communications
  - Encourage adult-to-adult communication
  - Be honest
  - Respond quickly
  - Update often and communicate even if there is no new news
  - Monitor external reactions
  - Manage external news

- **Naming the transition exercise**
  - Keep brand top of mind
  - Form congruent messages, stories and pictures for diverse audiences
  - Create a sense of belonging – communications as the glue.

- **Use effective communication channels**
  - Explore all options
  - Increase face-to-face communication
  - On line communications most cost effective.

- **Impact on employees**
  - Check all messages to ensure they are delivered with empathy and vision
  - Communicate often to ensure employees take up the support services that are offered
  - Give good news messages
  - Communicate events to look forward to that are involving and cost effective
  - Focus on rewards and celebration for change resilience.
  - Reward appropriate behaviours
Impact on structure
- What departments are most affected?
- What functions will be affected?
- How will the functions be performed and managed after the downsizing?

HR policy
- What internal policies govern voluntary and compulsory severance?

Unions
- What contracts exist to protect employees?
- What role do they want to play?

Job classification changes
- What policies govern the transition of employees from one classification to another?
- Does each employee know what their changed role will be?
- Are there changes in terms of conditions?

Legal impact
- What are the government legislation requirements?
- What are the legal rights of all employees?

Severance packages
- Does the existing package need to change?
- Are there any special arrangements that need to be offered?

Transition services
- Make all options clearly visible to all audiences through all media channels

External impact:
- How will a reduction in numbers affect the community?
- How will it affect the other stations in the area?
- What messages will be given?

Impact on structure
- Tailor messages to specific audiences
- Time messages so staff hear first

HR Policy
- Work closely with HR to ensure integration of messages.
- Prepare information packs for people leaving and staying

Unions
- 'Piggy-back' union communications and find other trusted sources of information for employees

Job classification changes
- Make changes understandable by writing in plain English and encouraging feedback
- Make written job descriptions available.
- Put in Key Performance Indicators
- Make managers accountable for internal communications

Transition services
- All communication needs to be considered and prepared early.
- A communications strategy should be put in place at the pre-transition phase.
- Make all options clearly visible through all media channels.

External impact:
- Monitor the impact of the change on the local community.
- Use positive media relations to manage external audiences.
- Consider community activities on which to report internally and externally.
- Your internal communications will also have impact on external perception.
Let’s return to our initial thought – that permanent transition is the emerging challenge for any business operating in today’s global environment and often volatile conditions. I propose that rather than become apprehensive about change, let’s embrace it as a norm. Let’s ensure all employees are prepared for change and understand its implications and opportunities.

Leaders need to help staff to see the bigger commercial picture whilst encouraging them to take responsibility for their own individual career development and engagement. This is achieved through openness in communication, continuous learning, and personal goal-setting within the context of the overall business objectives and on-going evaluation and support.

For many organisations and individuals this approach may require a huge cultural shift. But those that follow this strategy know that it pays off. It creates agile employees and agile companies. It enables organisations to flex to market conditions, to develop resilience and robustness and it empowers individuals to take responsibility for their own futures and success.

“Change is the only constant”
Heraclitus of Ephesus, Greek Philosopher 5th century BC.
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**Wrap-up**

- A failure to address the psychological implications of transitioning people will compromise the potential gains of outsourcing any organisational function.

- If we accept that organisations are living systems then outsourcing just one department will have implications for and impact many areas.

- Employee engagement is a leading indicator of financial performance in organisations.

- Good leadership has a cascade effect. Employees observe positive role models. Leadership behaviours are replicated in the culture of the organisation.

- Done well, the transitioning process can create the base of a refreshed culture, foster inclusion and collaboration, encourage innovative solutions and new ways of doing things and attract and retain committed future employee talent.
Transitioning your organization to international HR Outsourcing
Patrick Nolot, Global Program Director, ADP

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Transitioning your organization to international HR Outsourcing

HR transformation and one of its main components, HR outsourcing, are all about going from where you are to where you want to be. In other words, taking existing organization and processes (the “as is”) and optimizing them to better serve a company’s business objectives and market challenges (the “to be”). Very easy to understand but no so simple to do!

Transition, the step that consists in transferring some of your tasks and processes to a service provider, is often associated with the technical implementation of a new solution. Even if smooth implementation remains a key to success, it is only one aspect of successful transition to HR outsourcing.

Managing the transition involves dealing with three main tasks (or streams) at the same time:

- Process conversion
- Service implementation
- Change management and communication

These three tasks/streams need to be managed carefully according to proven methodology in each country where you transition to HR outsourcing. But even more challenging is the integration of the human dimension that is related to any international transition project. You want to be sure not to leave critical players on the sidelines.
Managing the three transition streams

If you compare the average timelines for implementation and transition required to outsource accounting and purchasing processes with the time needed to do the same with HR, you might be surprised.

While outsourcing accounting and purchasing processes to a service provider takes four months on average, the transition to outsourcing HR can take from 6 to 10 months in each country.

Managing an HR outsourcing project involves taking local legislation into account and making sure the new services are compliant with the relevant legislation. But it also involves making sure that the new processes in place are deployed in a consistent way company-wide. For example: terminations processes today are probably managed differently according to the country. After the outsourcing contract has been implemented, the termination process for each of your HR teams will be the same. This requires gaining knowledge of local practices to converge them into a global design.

On the other hand, accounting and purchasing are often some of the first functions in international companies to be industrialized and centralized in shared service centers in order to be managed globally. When it’s time to outsource them, it is then easier for a provider to literally “lift and shift” those functions, considerably reducing the transition time.

Transition Streams

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So, managing HR outsourcing transition under the best possible conditions means:

- Auditing your current situation ("as is").
  You have to describe all your current procedures, time spent on them and the people involved. It is imperative to know what exists today and identify what needs to be outsourced.
  Most of the time, a company is dealing with several vendors, fragmented processes and systems that vary from country to country. Some subsidiaries have structured processes; others just rely on their vendors to guide them.

  This analysis of your current situation will also help you, in collaboration with your service provider, to define your new desktop procedures and responsibility matrix ("to be"). You will be able to rely on standardized control procedures, consistent use of performance metrics, automated reports and benefit from reconciliation in order to continue to grow. You can avoid redundant data entry and gain efficiency by leveraging existing data storage tools.

- Studying all the aspects of the transition to a new system. In most cases, data conversion and migration can become sources of dissatisfaction and frustration if not carefully thought out before the actual transition phase starts. It is critical to know if the data that will be transmitted to your service provider are clearly understood and match the corresponding fields.

- Developing targeted communications.
  If you work with various service providers across borders and plan to streamline your processes on a regional or global scale, you will have to recover your data by having them transferred to your new provider under optimum conditions. This can be time consuming and impact your new implementation timetable. So, target your communication in order to inform your current providers and anticipate issues that may occur.

  Communication, less technical this time, that targets managers and employees will also be necessary. You must make sure that your people can adapt to and benefit from the new organization. What will change in your employees’ daily lives? How will the HR Department be impacted? What stays in and what goes out?

  It is to be remembered that transition to HR outsourcing often means transition to new processes and use of new tools such as manager and employee online portals as well as hotlines for employees’ queries.
Five keys to your organization’s successful transition to international HRO

1 – Find a sponsor at the top

The ideal person is someone with extensive experience in the field and in-depth knowledge of your local entities and markets. Your job is to evangelize your overall vision and at the same time have someone onboard with the credibility to support the project for the duration.

This person should enjoy a reputation for successful execution of corporate responsibilities, be able to federate a project team and, most important, have enough clout to anticipate and defuse resistance at the local level.

2 – Develop mirror organizations in collaboration with your service provider

Take the time to work on the global preparation phase of your project. First, it is critical to designate project owners to work with your sponsor. These people will be in charge of implementing your project for the duration. They will also be your subsidiaries’ main contact points and must be up to speed on the current steps of the project.

This organization needs to be mirrored by your service provider’s project team. This will enable you to get a grip on issues and solve them at the global, regional or local levels. You will also be sure to have people who share the same language on both sides of the bridge.

Some typical topics that should be defined before starting to transition countries are general ledger interface, shared design for employee and manager self-service (online portal) and regression testing.

3 – Plan to support your subsidiaries at the local level

Make sure to involve local payroll/HR business experts (“Subject Matter Experts”) in order to gain the subsidiaries’ confidence and support from the blueprint to the testing, validation, cut-over and go-live phases of a country project.

4 – Use shared and standard transition tools & methods

Transition to international HR outsourcing goes hand-in-hand with the adoption of common methodologies and procedures for the whole organization.

To achieve this, you need to work with a service provider who can guide you to reach that goal. Why reinvent the wheel when proven methodologies and processes already exist for project planning, consolidated reporting, change management and control, delivery management, testing and interfacing?

Bear in mind that your main objective is to align local practices with best practices at the regional and global level.

5 – Focus tightly on data migration

Data preparation/mapping and migration is a stream in its own right for transitioning projects. It has to be handled by dedicated and knowledgeable resources in each of the countries where HR outsourcing is adopted.
3 The human dimension of HRO transitioning

Transition to international HR outsourcing is hardly an easy task. How could it be when you have to manage several countries in various time zones, each with its own language, culture and legislation?

These facts underline the importance of putting together a dedicated project team led by project managers in each region who will ensure that the headquarters’ messages and policies are well understood and deployed as well as provide bottom-up feedback.

The human dimension of HRO transitioning is too often put aside and neglected, not because companies don’t care but because transition to HRO is usually approached from a technological angle.

A few things to take into account:

- Cultural affinity is critical. Put some people in place who will ensure that cultural specificities are clearly understood.

- Projects Managers are only human. They cannot be efficient 24/7. Be sure to give them a maximum of 5 countries to manage in their region. Local times must also be taken into account. International projects require organizing conference calls or live meetings with people from various regions. So, some of them will have to wake up very early in the morning or to stay up quite late in the evening. This should be the exception, not the rule.

- International projects often cause demotivation, burn-out or resignation. Remember that your project managers will have to juggle many parameters at the same time: possible resistance to change, project delays, time zones, project duration etc. The best way to anticipate potential issues and not exhaust your people before the project is finalized is to give them the opportunity to change roles and project assignments on a regular basis.
Wrap-up

- International HR outsourcing projects consist in moving from fragmented processes and many systems and local vendors - the “as is” situation - towards standardized shared processes and tools – the “to be” situation – that is supported by a single global service provider and a global shared services organization.

- Managing transition projects involves handling process conversion, service implementation and change management /communication simultaneously.

- It is critical to find a sponsor at the top who will provide legitimacy to your HRO project.

- Before rolling-out countries, organize a global preparation phase and designate global, regional and local project owners on your side as well as the service provider’s.

- Bring local HR/payroll experts (“SMEs“) very early-on in the country transition project.

- Keep a close watch on data conversion that is a stream of tasks in its own rights.

- Bear in mind that international HRO is all about dealing with multi-countries, multi-cultural, multi-language challenges whose outcome depend on the human dimension.

- Conference calls play an important role in all international projects. People have to talk to each other, exchange information in order to be sure they are on the same page. Too often, conference calls end up being very technical and only project oriented. People talk to each other; some of them have never actually met and don’t really know each other. So, it is critical to take the time to make informal introductions to help people get to know each other. Even in a period of travel restrictions, organizing face-to-face meetings (between global, regional and local teams) on a regular basis can also help to solve issues and re-motivate people.

- Like a painter, sometimes it is necessary to step back from the canvas to get the big picture in order to stabilize operations, ensure that the maximum number of processes is shared among countries (economies of scale), and make the necessary adjustments to the implementation methodology.
Measuring the Success of HR Outsourcing
Stelios Milonakis' Biography

Stelios is a business leader with Human Resources outsourcing (HRO) and HR shared services subject matter expertise. Stelios has over 20 years experience leading multinational HR Transformation initiatives. He has led the outsourcing of HR administration and implementation of employee and manager self service, he has implemented recruitment solutions, and he has provided strategic planning expertise to HR functions. He initiates and delivers strategic solutions leveraging IT to achieve desired HR transformation results. He has held several senior-level positions within global organisations, including Director of e-HR and Head of HR Transformation in Fortune 100 companies. Stelios’ areas of expertise include implementation lead, project management, process re-engineering, HR service delivery processes and change management.

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Measuring the Success of HR Outsourcing

With several hundred multi-process HR outsourcing (HRO) deals marking the Business Process Outsourcing (BPO) landscape, and a factor of at least three times as many single-process deals, it is an undisputable fact that HRO is here to stay. HRO has evolved since those early deals and we find that the market is increasingly shaped by standard provider offerings, multi-sourcing, and the emergence of on-demand solutions. Buyers’ requirements have changed with the market and today clients are much more exacting about what they want to buy and how they expect to measure success.

This paper will explore the key criteria you can use to measure the success of your HRO transaction. There is no magic formula for making outsourcing initiatives successful; it comes down to a number of different factors - all performing effectively together like a finely tuned orchestra. If you are going to succeed, you should, at the very least, address these key areas:

- Build success criteria into the deal from the start
- Know your baseline
- Measure what matters to your customers
Measuring the Success of HR Outsourcing

Once the decision to outsource is made, the three key questions organisations tend to ask are: “How much will I save? How quickly will I get my ROI? Will my service quality improve?”

EquaTerra research reveals, (Figure 1 is from a recent BPO study), that on average 71 percent of all organisations cite ‘Cost reduction’ as the single most important measure of success, confirming that BPO is still predominantly about saving cost (see chart below).

How BPO success is measured

The same research reveals that ‘Customer satisfaction levels’ comes a close second. This is especially true in the case of HR where processes touch the entire employee population, contain several handoffs, and rely on a good mix of third party suppliers. When you combine this with the presence of a service provider and the recognition that most organisation’s skills at managing providers are not up to scratch, you begin to see why it is important to measure...
We have learnt from transactions to-date what worked, what didn't and - where organisations tendered - what the focus was for improvements. The success of the transaction comes from ‘building’ what you are going to measure into the making of the deal, combine that with the right processes and approach and you remove much of the risk from your transaction. This is where you should return to, after the service has been fully transitioned to the service provider, to measure the success of your HRO transaction.

Organisations involved in HRO should include the following key measures of success in their outsourcing governance plans:

- Business objectives
- Business case
- Customer satisfaction
- Service quality
- Information/reporting
- Regulatory and compliance
- Contract quality
- Cultural fit

When asked in the EquaTerra Pulse survey, service providers (SPs) and advisors responded that while the majority of organisations are moderately satisfied with HR outsourcing overall, many are not achieving the benefits they expected and struggle with ongoing management of the contract (see chart below).
1 **Business Objectives**

“Has outsourcing freed up my HR Business Partners from administrative and transactional tasks, allowing them to spend more time on higher value services with the business?”

One thing is certain - no two deals are the same. Similarly the business objectives of each organisation will vary from one deal to another. Whether it is the mix or the weighting or in fact the objectives themselves, there will be differences. Identifying the objectives that drive the decision to outsource is key as this will drive client and provider behaviour. It is not just about knowing the direction in which you are heading, it is also knowing how you will get there; it means creating your Service Delivery Model (SDM) so that it is absolutely clear what is in scope and what is not; what the client is buying; and who does what.

Effectively measuring whether you have met your business objectives is multi-dimensional. Firstly you need to make sure that there is clarity and enough detail to ensure the organisation fully understands what it intends to outsource and what it intends to retain, in terms of functions, processes, geographies and business units. Secondly, test for clearly defined “solutions” for each process to be outsourced. These solutions should describe, at the appropriate level, the innovation required to transform the process, acceptable delivery locations, technology platforms, ownership of data, etc.

2 **Business Case**

“Have you met your expected savings targets, and where from?”, “Have you exceeded your severance costs?”, “Are you going to meet your overall ROI?”, “Does your payback remain within the expected timeframe?”

It can take up to 18 months to sign a comprehensive outsourcing deal (from concept to signature) and in that time the business will likely have changed much more rapidly than the outsourcing agreement itself. Ensure your financial business case remains fully and continually aligned to your business strategy and business requirements as well as the contract itself which needs to be flexible and adaptable enough to keep up with business change.

Ideally your business case should be solid enough to support internal decision-making and enable effective measurement of actual performance against the original plan. A sound business case needs to have sufficient budget available for implementation and up-front costs, but also funding to pay for adequate management of the contract and continued innovation.

Measure against your business case to evaluate if your HRO effort has met its financial targets. Use the business case as a tool: this should include implementation costs, transition costs, and ongoing service charges. A solid business case should enable you to evaluate actual performance against targets set.
3 Customer Satisfaction

“How well is customer perception aligned with reality – are they receiving the services, service levels, service quality and business benefits that they need?”

Perception is reality, unless the expectations are beyond the original remit (“Customer Satisfaction = Performance – Expectations”). Listening to your ‘customer’ and acting on that, is the first step to achieving sustained excellence in service delivery. Customer satisfaction is a result, and while you have to hold a service provider accountable for managing their service performance, you also need to - as an organisation - manage the service expectations of your customer(s).

Perhaps the single most important determinant of success is customer satisfaction and in the case of HRO, you could argue the customer has at least three levels: Management, Employee and HR.

Management: Are generally supportive, so long as they have appropriate data to support decisions in relation to shareholders and stakeholders.

Employees: As long as they know what to expect and understand it, will be very tactical about it. Of course there is the paradox that some may view

self-service tools as a deterioration of previously high-touch traditional HR services (although «Generation X» and «Generation Y» employees would probably view employee self service as a natural way to access and manage data).

HR: Perhaps the most challenging customer of all, who should understand the strategy and what is going on behind the curtain, is looking to understand the implications to provide additional insight.

However, so long as all this is acknowledged and a balanced view taken, customer satisfaction will probably be one of the strongest and most important tools to measure success of your HRO.

Perform monthly, quarterly, and annual stakeholder satisfaction surveys. They should be ‘360 degrees’, covering multiple dimensions and all internal and external stakeholders. If you have the opportunity to add specific questions to your pre-outsourcing annual employee survey, do it, and compare with post-outsourcing responses. Often organisations will use focus groups and transaction based surveys as well.

4 Service Quality

“How well do your provider’s teams understand your business activities and priorities? Have you implemented meaningful service level agreements and are they being monitored and acted upon on a regular basis – is the supplier delivering to those levels?”

Ensure service performance is measured, monitored and reported against Service Level Agreements (SLAs) and Key Performance Indicators (KPIs) but most importantly ensure you measure the right things. There is no point measuring 200 metrics when you are missing the handful that matter the most. In many cases when an organisation finds itself in dispute with its service provider, all the performance metrics are green – they are simply measuring the wrong things. Do not underestimate this activity. Look beyond SLAs; finding the right metrics that are linked to business value is hard but extremely worthwhile.
Track progress against metrics, and follow your service level approach until you are sure the service is delivering to expected targets. There are direct correlations between stakeholder survey results and service performance – use that data.

Use an effective Service Level Methodology designed to achieve clear objectives to measure the success of service delivery.

Check that you have:

- Aligned the interests and behaviour of the company and Service Provider through a comprehensive process that is fair to both parties
- Established objective measures of quality service (not perfection)
- Accurately reflected the company’s business needs
- Provided a problem management process that includes escalation protocols to resolve issues with the appropriate priority, and a notification mechanism so stakeholders remain informed
- Provided a quantitative measurement framework to evaluate the Service Provider’s actual performance
- Created an audit trail of service performance
- Encouraged the Service Provider to make appropriate business decisions
- Allowed for evolution, adaptation, and change with minimal negotiation during the term of the agreement
- Embedded continuous improvement

It is worth remembering that to evaluate your ‘to-be’ performance and to size and understand the benefits of your HR BPO, you must first understand your ‘as-is’ performance before you embark on your journey.

5 Information/Reporting

How many sources of data do you still need to produce a global level report? What degree of reporting still requires manual intervention? To what extent are your HR professionals capable of using self service tools to generate required reports? To what extent is the business able to pull their own people-related reports?

Since the mid to late 90s the increasingly matrix nature of multi-national organisations has driven the need for management information that requires small armies of people to compile. The continuing drive for globalisation means the need for integrated reporting requirements has never been greater.

Organisations constantly look for data that allows for global level decision-making and enables local level implementation. The need for global, standard, accurate and real-time reporting is one of the main deliverables organisations seek from the provider and the outsourcing arrangement.

When moving to an outsourced environment the organisation needs to ensure the tools they are putting in place allow for this kind of reporting – it should be one of the cornerstones of the solution.

Measuring success in this area is all about minimising the effort to access data. Fundamental to success is whether you have achieved standard formats globally and a single source to go to for organisational data. Organisations want to retrieve crucial data more quickly and with significantly less human involvement.

Commonality of terminology means that country and regional operational reporting such as efficiency and effectiveness can be done on a true like-for-like basis and allows for significantly easier comparisons and analysis.
6 Regulatory & Compliance

“Can you afford the risk of non-compliance?”

No matter how pressing the drivers to outsource HR, no organisation can afford to move to a HRO arrangement if this involves risking non-compliance with current legislation in any of the countries it operates in. Organisations looking to outsource HR should be confident that their providers are able to ensure compliance for each and every country and region.

While HRO leads organisations to more strategically manage their global workforce, it also allows them to more readily comply with regulations that may differ country by country, and more easily maintain the security of sensitive employee data.

A provider should bring experience and knowledge of regulatory and compliance requirements. These will likely include the extent of diversity in HR law and practice between countries, the complexity of legal changes and statutory reporting in certain countries and the role of Works Councils, as well as Sarbanes Oxley (SOX) requirements.

A provider will not, however, remove the obligation for the organisation itself to remain compliant.

Indeed in most cases the law views the responsibility as being joint. HRO providers may be expert administrators and as a part of their responsibilities may track and manage compliance requirements down to a local level. Nevertheless, the overall responsibility to remain compliant remains with the organisation.

Monitor if compliance practices are put in place and if transactions involving data become more efficient. Monitor that ‘data privacy’ is addressed at a global level and that it remains current with local as well as regional legislation. The HRO provider should demonstrate best practices and work together with your compliance function and be the first line for identification of new or changed privacy regulation.

A balanced scorecard approach can work well in this instance, and can align local best practice and KPIs with global requirements. This should include audit requirements (e.g. SOX, etc) and any other country requirements (e.g. UK Data Protection Act).

In addition, the most usual approach involves periodic audits against ‘compliance SLAs’, and additionally ‘penalty SLAs’ for any legislative fines.

7 Contract Quality

“How do your service fees compare to expectation?”

“How realistic are the terms – can you adapt or terminate the contract if your business landscape changes significantly?”

Contracts should make adequate provisions for the following:

- Building the relationship
- Governing the relationship
- Invoicing and payment for services
- Terminating the outsourcing relationship
The outsourcing transaction is not a ‘partnership’ – the client wants to save costs and demonstrate incremental benefit, while the service provider wants margin and opportunity to grow their business through increased scope of services. The overall quality of the HR outsourcing transaction will have a significant impact on the success of the on-going relationship and successful service delivery.

A successful contract is based on establishing common goals and using the carrot as much as the stick, the arrangement should not be an “us” and “them” relationship. Ultimately, there is so much time, money and resources invested into any outsourcing agreement, it would be negligent to allow it to fail – or not achieve full success.

The tools and approach specified in the contract should allow monitoring of invoices and comparison to service charge expectations. A robust approach should allow for changes in volumes or processes (subject to necessary change orders). The measurement and charging methodology should not only allow the client to claim for missed targets but also allow the provider to ‘earn back’ credits for sustained good performance. And there should be sufficient incentive for the provider for innovation and continuous improvement and sharing of any benefits with the client.

Although it is important to have tools in place (such as a scorecard) to have a continual view of both the performance and relationship, it shouldn’t stop there. It is useful to obtain an independent view (e.g. a health check) of how well the relationship is operating and whether there are any innovations within the industry that you could take advantage of. In this way, you can make use of other people’s experiences for the benefit of your business, and you can reinforce your position within the relationship by having the backing of external industry experts.

Health checks should ideally take place annually (not just when there are problems) and become one of the inputs to the annual review with the supplier. Such health checks should be predictive, or in the case of commercial benchmarks, prescriptive, in order to recognise potential problems and identify appropriate actions to ensure that such problems do not occur.

8 Cultural Fit

“How well are the retained organisation, the business and the service provider working together to deliver the required benefits?”

An initial comfort with the ‘cultural fit’ between the client and supplier organisations is a crucial element often not given adequate importance. Fit to desired culture in terms of overall style, vision, focus, goals, leadership, ethics, sense of urgency, and commercial relationship in terms of the provider employees being people that you could work with in a long-term collaborative relationship.
Wrap-up

- Measuring the success of your HR outsourcing will always involve more than hard numbers.
- One of the fundamental principles of outsourcing is not to hand a broken process to your service provider and expect them to deliver it back immediately at Six Sigma quality levels and cheaper (“outsourcing your mess for less”).
- Measuring the success is about both parties working together to proactively identify the most important aspects of the service to monitor.

Outsourcing Governance

The art of managing providers and realising true benefits from HRO is becoming increasingly important and an area that needs to be addressed and readdressed throughout the life of any sourcing contract.

Governance is critical to success. It is not just the processes and procedures that regulate communication and interface interaction – at its most fundamental level it is a framework for decision making, with ‘Client Risk’ versus ‘Client Opportunity’ being kept in balance.

Outsourcing providers are sophisticated organisations with a vast depth of capability. They are investing in tools, techniques and skills that support them in managing customers. As a customer you need to be making the same level of investment if you are to get the best out of your provider and your contract.

One of the easiest mistakes to make is to get caught up in measuring and managing the detail. Dealing with issues, complaints, or missed SLAs is only one part of effective governance; the true skill is ensuring these are addressed, but also keeping sight of delivering against the business strategy.

However successful the relationship appears to be, never assume that this will always be the case. Monitoring HR services is not limited to performance against service level agreement targets and capacity indicators. Whilst it is still important to have these in place, the key indicators of success are the benefits that the business derives from the outsourcing relationship. Recognise that you have to look further than just these technical measures to identify whether benefits are being obtained.

transformation and transition of the services; standard of people that will be delivering the services, including the attraction, training and retention of the right people to deliver; level of turnover amongst operational staff; professional, friendly and caring attitude; effective provision for knowledge transfer and staffing to the extent that the level of service is not compromised.
• Expect there to be bumps in your measures in the first few months after transition. Allow six months before doing your first evaluation and be prepared to adjust your measures and targets.

• Measuring the success of HRO is as much about what you hand over to the provider, as it is about the retained organisation. Don’t expect things to stay the same ‘back at the ranch’ – in fact, positively change your processes with input from your provider.

• As one of the most important questions asked by every organisation, measurement of success must be mapped into your HR outsourcing journey right from the start.