CHAPTER 1

Human Resource Service Delivery

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KEY LEARNING OUTCOMES

By the end of this chapter, you should be able to:

- understand the reasons why organisations change the structure and location of HR service provision by analysing the changing context of human resource service delivery
- critically evaluate different models of HR service delivery available to contemporary organisations
- critically discuss the reason for measuring the impact of service delivery and the measurement indicators used
- understand recent thinking on HR service delivery.

INTRODUCTION

One of the key variables in achieving the aims of HRM is way the service is delivered. We know from studies of contingency variables in organisations and management that no two organisations utilise the same functional structure and involve the same levels and roles of staff in delivering HRM. Each HRM

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department is subject to different forces, producing a unique approach to HR service delivery. Our purpose in this chapter is to focus on delivery models of human resource management and the way it delivers its product to the organisation with particular reference to structures and roles.

Over the past two decades the role and structure of the HR function in organisations has been debated and, some claim, undergone a process of transformation. Dave Ulrich's ground-breaking model of human resources services delivery in his book *Human Resource Champions: The next agenda for adding value and delivering result*s (1997), spurred many senior HR leaders to structure and restructure the delivery of their services to meet the challenges of changing national and international business conditions. Ulrich offered a powerful re-interpretation of the personnel function, which outlined the significance of HR as a change agent in championing competitiveness in US firms (Caldwell, 2001). At the time he argued that the role of the HR professional must be redefined to meet the competitive challenges organisations were facing then and would face in the future (Bentley, 2008).

This chapter begins with a further consideration of some of the reasons why organisations have changed the structure and location of HR service provision. It then explores the models that are available to contemporary organisations to deliver HR services. It looks at Ulrich's 'three-legged stool' model in some detail and debates the question whether its implementation has met with success. It also looks at other models of delivery that are evident in organisations, including the use of outsourcing and external consultants. It goes on to consider the role of the line manager in HR delivery and how organisations have sought to devolve HR practices to line managers in order to support a shift to a more strategic level of practice for HR professionals. How HR services are measured and evaluated is then discussed. Finally, the chapter concludes with a look at recent thinking on the future of HR service delivery – in particular at the recent research by the CIPD into **'insight-driven'** HR and the impact that this may have on how HR services are delivered over the coming years (CIPD, 2011e).

THE CHANGING CONTEXT OF HR SERVICE DELIVERY

No two HR departments are configured in the same way to deliver their service, even though they share the same predominant aim. The 2006 CIPD report *The Changing HR Function* concluded that the primary driver for the **structural transformation** of HR has been the desire for the function to be a more strategic contributor and to maximise HR's contribution to business performance. Business leaders have also come to perceive the link between talent management and business success and to recognise HR's potential role in unlocking the discretionary effort of employees as a source of competitive advantage.

The link between HR and customer service has strengthened over recent years, with those in the vanguard of change moving to increase the value HR offers to its business customers (CIPD, 2006). HR has been charged with developing and organising 'human capital', and the ways in which employees are recruited, developed and managed are seen as key to this. Employees' satisfaction has been

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recognised as an important factor in delivering effective services, and many organisations now recognise the link between well-organised and well-managed teams and business success.

The project to deliver value through HR has met with varying degrees of success. The majority of organisations now have an HR director on the board. However, despite a presence at the top table and an express desire to be seen as an equal strategic partner in the business, there still appears to be considerable debate over whether there is definitive evidence of the impact of HR structures and staffing on organisational performance (CIPD, 2006). What is clear, though, is that current business conditions demand a greater delivery of competitive advantage via HR agendas and practices, and require HR to have true strategic influence that is internally coherent with the values of the business and aligned to its goals and objectives (Becker and Huselid, 1999). It may be concluded therefore that the way in which HR is structured to deliver its services is a key factor in determining its operational success.

REFLECTIVE ACTIVITY

Consider your organisation or one that you are familiar with. How is HR delivered? Is it delivered in partnership with other organisations or are certain activities totally outsourced to expert organisations such as consultants? In particular, how involved are line managers in the delivery of HR services?

This question pivots firstly on the extent to which the organisation you are considering retains in-house HR expertise, and secondly on the nature of the relationship between the HR function and the organisation's line managers. Each organisation is different and the models of delivery are affected by variables such as:

Organisation-level factors

- Organisation size: larger organisations are likely to utilise more innovative features of delivering HRM – for example, more partnerships, shared arrangements and outsourcing.
- Sector: private sector organisations are also more likely to consider arrangements such as those listed above
- History, traditions and structure: bureaucratic, layered, staid and static organisations, which may also have a longer history and maturity to them, are more likely to have a traditional line-manager-associated delivery mode
- Culture of the organisation – such as the difference between organisations that encourage decision-making at a low structural level and those that are paternalistic and more supportive.

HR-level factors

- Level of organisational representation and responsibility for input into strategy – it is suggested that outsourced transactions, for example, can give the HR manager more time for strategic input
- Size of department
- The history and traditions of HR operations.

Personal factors

- The power, influence and perspective of the HR manager/director
- Their experience and background
- The CEO's previous experience of HR.

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MODELS OF HR SERVICE DELIVERY

How HR is structured to deliver its services has been the subject of considerable debate and discussion over recent years. A variety of ways in which HR functions have been organised have been examined. As was explained in Chapter 1 of the book *Studying Human Resource Management* in this series (Taylor and Woodhams, 2012), whether services should be organised on a best-practice basis or a best-fit basis is at the centre of much of the debate. Research carried out by the CIPD highlighted the views of practitioners that HR should be structured to reflect the business that it is in and what its business customers want (CIPD, 2006). What emerges from the literature are two approaches to HR structures that dominate the way in which services are currently organised, which are discussed in further detail in this section of the chapter:

- traditional approaches of a single team of generalists, specialists and administration, or a corporate strategy team aligned by business units or locations
- the 'three-legged stool' model of business partners, shared services and centres of expertise.

TRADITIONAL HR STRUCTURES

A traditional structure of HR services, consisting of a single team with generalists, specialists and administration, is still common in many organisations. In this type of structure, an integrated HR team generally looks after line managers and employees at specific locations or within specific units of the business. Within these teams, depending on their size, there may also be specialisation by work area or by employee grade or group (CIPD, 2006). HR staff in these structures may look after administrative and clerical staff as opposed to managerial grades, or look after technical specialties – for example, medical staff in the NHS. Evidence from the 2011 CIPD autumn outlook suggests that this is still the most common structure for HR functions. This model of HR delivery appears to be particularly prevalent among small and medium-sized organisations (SMEs), 64% of respondents in the report stating this to be the case in medium-sized organisations and 47% in small organisations (CIPD, 2011c). This is due to the fact that because of resource constraints, HR teams in SMEs have to be versatile and deal with both the strategic and the operational work. Smaller and less complex organisations in particular (in a single location and with a homogeneous population) continue to have generalist HR staff covering a range of tasks (CIPD, 2006).

A similar study from Crail (2006) of the HR function in 179 UK organisations concluded that a 'standard' HR department might typically have the following characteristics:

- It would have a team of 12 people serving a workforce of around 1,200.
- This team would consist of an HR director, three HR managers, one HR supervisor, three HR officers and four HR assistants.
- The department would spend a lot of its time on HR administration, despite some activity as a 'business partner' and strategic contributor.

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- Attempts would have been made to shift some HR responsibilities to line managers, not always successfully.
- The department would enjoy some influence over the way the organisation was run and HR's standing in the organisation would be generally high, partly because the external contexts have changed and HR is seen as the source of knowledge and expertise on legal and regulatory requirements.

As this piece implies, the connection between the HR function and operational managers can be fraught. The HR department might attempt to shift HR responsibilities because doing so is in line with a model of ownership and buy-in from managers to the goals of HRM. But managers are reluctant to embrace these responsibilities. We investigate this issue later in the chapter.

ULRICH'S 'THREE-LEGGED STOOL' BEST PRACTICE MODEL

Over recent years it has been Ulrich's model of human resource services delivery – commonly referred to as the 'three-legged stool' model or the 'three box' model – which has become regarded as best practice, although there is 'ongoing debate about how his theories should be interpreted and put into practice' (CIPD, 2011a: 1). The most common interpretation of the model is based on three means or mechanisms of service delivery: HR business partners, HR centres of expertise, and shared HR services. These are discussed in turn in more detail in the following sections.

HR business partnering or strategic partners

The CIPD states that HR business partnering is the process in which HR professionals work closely with business leaders and/or line managers to achieve shared organisational objectives. Business partners are senior or key HR professionals. They are usually embedded in the business unit where they work in partnership with operational managers within that business unit to influence and steer strategy and strategy implementation. Research has found that the role of business partners varies widely between organisations, with factors such as 'organisational size, company culture and business priorities' appearing to determine how the business partner role is carried out (CIPD, 2011a: 1). In the 2006 CIPD survey, 83% of organisations reported that they had introduced Ulrich's business partner model in some way.

The benefits of the business partner role appear to be that it allows the HR practitioner to become a more strategic contributor, with increased business focus, greater engagement with line managers and the ability to move people management issues higher up the business agenda (Reilly, Tamkin and Broughton, 2007). When HR professionals are embedded in business units, research appears to suggest that they are able to more easily select and implement HR practices that are most appropriate to developing the business strategy for that unit. This structure allows HR partners to utilise their 'unique' knowledge and skills to support and drive change in people management practices. They can also be well placed to support local managers in considering the people consequences of changes to strategy or policies (CIPD, 2011a; Ulrich, Younger and Brockbank, 2008). HR business partners can also work with line managers on

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longer-term people resourcing and talent management planning issues. Their role in intelligence-gathering and understanding of good people management practices, internally and externally, enables business partners to raise issues which managers may be unaware of (CIPD, 2011a).

Although many professionals have welcomed the move to a more strategic role, there have also been challenges to this approach. Pritchard (2010: 183) suggests that the transition from generalist to business partner has often not been easy for HR professionals, who can find it 'difficult to step away from day to day activities, in which they had been involved for many years'. Whereas the business partner role has 'given freedom from previous generalist work and enabled a more strategic focus', Pritchard (2010: 181) has observed that in some cases business partners continued to remain involved in generalist work. Some practitioners, however, feel that this is an 'essential stepping stone' to a more strategic role (Pritchard, 2010: 184). Being able to understand how the **transactional** side of the agenda works and having the ability to continue to resolve HR issues was regarded as essential to building trust with line managers. This was seen by some practitioners involved in the study as a prerequisite to successful partnerships (Pritchard, 2010). Obtaining people with the right levels of skills and credibility to perform the role of business partner was also cited as an issue with introducing business partnering to organisations (Reilly, Tamkin and Broughton, 2007). Ulrich, Younger and Brockbank (2008) suggest that a new competence of 'strategic architect' is required for the role, which in essence means 'embedded HR professionals being able to diagnose what needs to be done; broker resources to get things done; and monitor progress to ensure things are accomplished' (Ulrich, Younger and Brockbank 2008: 842). This new skill set, together with a perceived natural reluctance to give up an area of work that had previously been seen as adding value (Pritchard, 2010), suggests that the introduction of business partnering has not been without its difficulties. Despite this, research has shown that business partnering remains an attractive role for HR practitioners and organisations (CIPD, 2003).

Centres of expertise

Centres of expertise in Ulrich's model usually comprise 'a team of HR experts with specialist knowledge of leading edge HR solutions'. The role of centres of expertise is to 'deliver competitive business advantage through HR innovations in areas such as reward, learning, engagement and talent management' (CIPD, 2011a). Evidence of implementation of centres of expertise suggests that they are accessed on a corporate, regional or national basis. In the 'three-legged stool' model they offer their services either to HR business partners or in some circumstances directly to line managers (CIPD, 2007). They often act like businesses in themselves and can have a number of business units using their services. In some organisations some method of internal recharging for these expert services and products is used.

Ulrich, Younger and Brockbank (2008) suggest that the role of the HR professional in centres of expertise covers a number of important areas, notably

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in creating **menus of intervention** aligned with the capabilities required to drive the strategy for the business forward:

- diagnosing needs and recommending the most appropriate solution
- working collaboratively with HR business partners to select and implement the right services
- researching and creating new offerings
- acting as guardian of the learning community within an organisation.

There are also some risks inherent with operating centres of expertise that must be guarded against. They include:

- relying on programmes that the centres are familiar with but that are not tailored to the needs of individual business units
- isolation from day-to-day business, so that solutions can appear to be out of touch with the reality of the business
- a tendency to 'craft single solutions' (Ulrich, Younger and Brockbank, 2008: 844), which are then applied to numerous business units
- excessive demands placed on the centre by working for numerous business units, each business unit believing that its own demands are the most important and the most deserving of an immediate response
- an assumption that in creating a centre of expertise business units will be happy to use them. In some organisations line managers and business partners are required to access the central expertise before seeking outside help, but in others managers may pick and choose between the central service and external consultants, especially if there is a high degree of devolved budgets for learning and support activities.

Shared services

The CIPD's definition of shared services is based on a single, often relatively large, unit that handles all the routine 'transactional' services across the business. This features recruitment administration, payroll, absence monitoring and advice on simpler employee relations issues. The remit of shared services is to provide low-cost, effective administration (CIPD, 2011b). Shared services emerged in the late 1990s as HR leaders realised that many administrative tasks could be performed in a centralised, standard way (Reilly, 2000). Its introduction has frequently been one element of a wider restructure of HR services, often associated with the introduction of the three-legged stool service model.

Reilly (2000) found that there were three principal reasons for the introduction of shared services – cost, quality and **organisational change** – development in technology being the facilitator of the movement to shared services rather than the driver for it. The 2007 CIPD survey *The Changing HR Function* found that just over a quarter of organisations had introduced a centralised provision of shared administrative services. Typically, these services are located in-house although they can be outsourced to specialist third-party providers (see the section on outsourcing later in the chapter). Often the use of shared services centres is also associated with the move to devolve people management activities from the HR department to individual managers or employees by the use of **self-**

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service technologies. The benefits of shared services reflect many of the reasons why organisations looked to implement them in the first place (Reilly, 2000):

- lower costs
- more efficient resourcing
- an improved quality of service
- increased customer satisfaction
- a single point of contact
- an integrated 'total solution' approach
- greater transparency of costs
- more consistent management information
- economies of scale for investment in technical and communications infrastructure
- the release of time to spend on strategic issues.

CIPD (2007) research has identified shared services as a phenomenon of large rather than small organisations, two thirds of organisations employing over 5,000 employees citing that they have some degree of shared services, as opposed to 17% of organisations that employed 250–1,000 staff. The research cites several high-profile private sector companies that have recently entered into shared service arrangements and an increased interest in take-up in the public sector.

To demonstrate this idea in practice, an interesting case study illustration is reproduced below of how a joint venture between Liverpool City Council and BT delivered HR services in a new way. Evidence in the case suggests that through a radical overhaul in providing services and the appointment of a new HR leader, the joint venture has been useful in providing HR services that:

- are more cost-effective
- are united behind a single product
- provide HR jobs that are varied and skilled
- free up in-house provision to focus on strategic matters
- build joint commitment to solutions
- construct green shoots of a commercial model that can offer services to other organisations.

CASE STUDY

HR services and the joint venture: Liverpool City Council and BT

When David Henshaw took over as chief executive of Liverpool City Council in October 1999, he had his work cut out. The Council was third from bottom in the local authority performance league table, with only the London boroughs of Hackney and Lambeth deemed to provide poorer services for their residents. Not only that, Liverpool also had the most expensive Council Tax in the country.

His brief was to cut costs and bureaucracy, stabilise the Council Tax and improve services and information for the local community and the Council's staff. Henshaw set in motion a modernisation process that saw the authority's eight directorates condensed down to five portfolios, a

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new executive team and 2,700 jobs shed – 10 per cent of its workforce.

He also focused his attention on what he saw as one of the major obstacles to delivering better services and value for money – the Council's inefficient business processes. The state of the HR function at the time provides a good example. It was split into eight units, each providing day-to-day operational support for a directorate, plus one central corporate unit. The eight units were basically doing the same job, but all had a different way of doing things and had their own interpretation of corporate policies.

'There were 200 people in HR, but it wasn't a good service,' Henshaw says. 'Personnel officers in different units were spending their time arguing with each other about different versions of the truth.'

Henshaw's aim was to get down to one version, not only for HR but for the whole Council, and to ensure that everyone had access to it. To do this, the Council's information and communication technology (ICT) needed considerable improvement. ICT had been underfunded for years. But the Council's previous outsourcing experience had not been encouraging.

'Outsourcing can and does go wrong,' says Henshaw. 'You can outsource a problem and end up with an outsourced problem, rather than a solution.' Instead, he took a different approach and started looking for a private-sector partner to form a joint venture with.

In May 2000 BT was chosen as preferred bidder to help run the business support services, and Liverpool Direct Limited (LDL) was born. BT would invest £60 million in the company over a 10-year period, and provide the much-needed computer systems and software. The Council would pay the company £330 million to run all its business support (including ICT, HR and payroll) and its front-line customer services, such as benefits and advice services. All these services would be restructured to benefit from the technology. This would allow mundane processes to be automated and information to be shared, saving time and money.

The HR department was to play a major part in the change to the new model. First, it would be involved in the overall restructuring, handling the redundancies, overseeing the selection of executive directors and recruiting the second tier of assistant executive directors. Second, it would go through a fundamental transformation, taking on a new structure and ways of working as it became part of LDL.

A new HR management team of seven was set up, and the old system in which each HR team supported a single directorate [akin to a department] was scrapped. In its place four new teams based on expertise (employment relations, resourcing, learning and development, and payroll and pensions) were formed.

The redundancy programme was judged a success: the target of losing 10 per cent of the workforce through voluntary redundancy was achieved. HR is now part of LDL, and the latest stage of its transformation has been the launch of the intranet, allowing all staff and line managers to access HR policies and other information online, and the opening of the HR service centre, which went live in January 2001.

Although 81 per cent of LDL is owned by BT and 19 per cent by Liverpool City Council, Henshaw stresses that the Council is in the driving seat in terms of the direction and management of the company. In fact, beyond providing the hardware, BT's involvement seems to be limited to advice on setting up and running business service administration systems. The staff who are actually providing the services have

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all come from the Council and were already working in similar areas. They have been seconded to the company but, crucially, are still employed by Liverpool City Council.

For Henshaw the joint venture is a positive way of accessing private money and know-how without the disadvantages of outsourcing. 'Our sector has to think differently about what it does, and move away from stale outsourcing deals,' he says. 'When outsourcing goes wrong, people reach for the lawyers rather than working to solve the problems. In our contract with BT we have very clear targets for service improvements and cost reductions, and we have to work together to achieve those.'

He adds that LDL has plans to provide services for other authorities. The extra business would bring in revenue for the Council, as well as BT, and create more jobs. They are currently in discussion with two authorities.

'There are few private companies that have managed to make this work on their own,' he says. 'The public sector has a huge amount to contribute. If we can harness that with the private sector, that's good for everybody.'

Liverpool Direct Limited's HR service centre handles telephone enquiries and, where necessary, refers callers on to someone with greater expertise in the back office. The intranet and service centre have removed the burden of process-related tasks from the 70 back-office staff.

Front-line call centre staff were previously HR administrators and say the change in role has been a positive one. Customer services adviser Peter Lynskey says that the job is more varied and has given him new computer skills.

The new structure has also freed up the HR management team. HR project manager Mike Evans, who was responsible for setting up the intranet, was previously manager of one of the HR units – a job that had little impact on the Council at large or the community. Now the projects he runs are all about improving the way the Council works and the services it delivers.

'LDL has opened up opportunities for people throughout the organisation to do things with real scope,' he says.

Adapted from Hammond (2002)

CHALLENGES TO THE ULRICH MODEL

A great deal of the debate over the past 15 years, since Ulrich first introduced the concept of business partnering, has centred on the perceived success of the model within business and the extent to which it has enabled HR practitioners to adopt a more strategic approach. Pitcher (2008) argues that the business partner model has not resulted in strategic thinking, and is little more than superficial 'spin'. He cites the example of Elizabeth Arden, in which the HR director, Gabriele Arend, disagreed with any model that splits HR professionals into recruiting, training and employee relations experts. Her company is moving towards a traditional structure, where HR employees are trained to develop generalist operational knowledge. The CIPD (2010) recommends exercising caution when adopting the business partner model and suggests that partnering should mean a paradigm shift for most HR functions, resulting in changes to HR's values, operation and

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skills, and not simply a repackaging of good HR practice. Perhaps the key question comes down to HR's credibility and contribution, summed up succinctly in a Deloitte Report (2009: 8):

> The business partners' greatest failing has been their inability to convince senior managers that they have the necessary business acumen to contribute to the strategic debate.

Similar findings in research conducted by the Roffey Park Institute into the use of business partners revealed that 55% of HR professionals thought that it had been a success but 32% remained unsure, with a further 10% claiming that it had not been successful at all in their organisations (Hennessey, 2009). Reilly, Tamkin and Broughton's work for the CIPD (2007) found a wide variety of ways in which organisations have implemented this model, and which differed greatly from the textbook version outlined in Figure 1.1.

Figure 1.1 Variants in implementation of the three-legged stool model

Source: Reilly, Tamkin and Broughton ([CIPD], 2007: 13–14)

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Despite the undoubted popularity of Ulrich's model, many commentators remain sceptical as to its true success and unconvinced of it as 'the right way forward for people management'. Some critics have maintained that it has all too often only involved a 'change of title only' for HR managers (Hennessey, 2009: 26) and has not resulted in any improvement in strategic thinking on HR issues within business (Pritchard, 2008). Ulrich claimed, however, that poor implementation and a lack of understanding had let the model down (Peacock, 2008). Real concerns were expressed that many practitioners have rushed into implementing the Ulrich model without properly considering whether it met the needs of the business first. Where the Ulrich model has been introduced, it is the business partner leg of the stool that has proved the most popular, whereas centres of expertise and shared services are less frequently found (CIPD, 2007).

Conclusions to be drawn from the research suggest that there is not a one-size-fits-all model, and many commentators have drawn attention to the need for structure to follow strategy. To quote from a CIPD survey (CIPD, 2007: 19):

> The Ulrich model is useful – but adapt it to your circumstances.

OUTSOURCING HR SERVICES

According to the CIPD Executive Briefing (2005), this is the practice of transferring some, or all, of the HR service provision from an in-house team to one or more external providers. It is also utilised by a number of small organisations that, unable to carry their own internal resource, form an agreement to finance a common service to which they all have an equal, or agreed, access. HR services may be transferred on an anticipated long-term basis, or may be outsourced for the completion of a specific piece of work or project (CIPD, 2005).

There has been significant growth in this type of external provider, firms such as Capita, Accenture, Hewitt and Exult taking large chunks of HR business. To illustrate, the case study below taken from *People Management* (2006) announces a BBC deal with Capita.

CASE STUDY

Capita wins BBC's HR outsourcing contract

Capita has won a ten-year contract to manage the BBC's HR services.

Under the contract, Capita will deal with BBC staff recruitment, pay (excluding pensions), occupational health and other services including some training and development. The work will be handled by Capita's Belfast office and will create 100 new jobs in the city.

'This deal marries both our expertise in HR with the resource and expertise of a leading player in business process outsourcing,' said Stephen Dando, director of BBC People. 'The value created from this deal is a significant step for us in ensuring that the BBC continues to invest in creating

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innovative programmes and services for our audiences.'

The BBC claims it will save more than £50 million over the ten-year contract period.

The decision on whether or not to outsource HR services is debatable and contentious in literature and practice. A typical outsourcing arrangement allows HR services for an organisation to be transferred out of ownership of the organisation to a third-party supplier to be re-provided back into the organisation. Alternatively HR services are purchased outright from a specialist firm, such as Capita in the UK, who offer such services. Typically, these are the transactional elements of services.

REASONS FOR OUTSOURCING DECISIONS

Organisations usually decide on an outsourcing option for one or more of the following reasons:

- It can enable access to specialist skills and knowledge not possessed by the in-house team and which the outsourcing organisation is unable or unwilling to develop for it.
- It can be seen as a means of achieving levels of service quality and efficiency, which, for one reason or another, are not considered to be achievable within the outsourcing organisation itself.
- There may be an anticipation of significant savings on an ongoing basis, which is attractive to any organisation seeking to reduce its overall costs.

According to the 2009 survey on outsourcing activity conducted by the CIPD (2009a), the incidence of outsourcing extended to around 29% of the survey respondents and was said to be increasing, especially over the five years prior to the study. Outsourcing appeared to be most prevalent in the private sector, around 69% of the survey respondents engaging in the practice. It was apparently less common among public service organisations, where it extended to only 25% of the respondents.

The survey also demonstrated a clear link between organisational size and outsourcing activity. Large organisations, with more than 10,000 staff, outsourced up to 71% of at least some of their HR activity, retaining 29% in-house. Smaller organisations, employing fewer than 250 staff, retained only 11% for provision on an internal basis.

HR outsourcing is most commonly used in the transactional and specialist functions. Typically, these are recruitment, training, pensions, payroll, legal services, information systems and compensation and benefits. All of this, taken together with the findings in the preceding paragraph, fits neatly with the reasons why organisations opt to engage in outsourcing, outlined in the bullet points above.

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SKILLS REQUIRED BY HR PRACTITIONERS IN OUTSOURCING DECISIONS

HR outsourcing is perceived to require a particular set of skills and knowledge on the part of those involved in the process. These include the ability to properly plan, specify and cost the services that are to be provided externally. Thereafter, the process requires that contracts have to be made, tendered, awarded and then monitored carefully on an ongoing basis if the expected benefits are to be achieved and maintained. According to the 2009 CIPD survey, HR professionals involved in outsourcing considered themselves as having the necessary level of competence in those areas deemed to be important. However, vendor management – which involves partnership working, together with an understanding of the way in which commercial organisations operate on a day-to-day basis – was not regarded as crucial to a successful outcome. The survey in fact indicated that HR professionals only ranked this fifth in terms of importance. Further, 13% of HR outsourcers lacked vendor management skills and 6% lacked any financial skills.

The stated results of HR outsourcing seem to be quite mixed. If the intended objective was to outsource the transactional elements of HR activity to allow an in-house concentration on strategic work, the findings show that this appears not to have been the result (CIPD, 2009). Only 11% of the respondents reported that this had happened – 54% indicated some movement towards a more strategic involvement, while 36% reported no development in strategic activity at all.

In general, only 11% of the survey respondents considered that HR outsourcing had been a success; 47% reported success in some areas but not in others, and the remainder said that success had not occurred, had been limited, or that it was too early to tell.

The general conclusion is that HR outsourcing does have a place within the provision of HR services, but that to ensure that it is successful it must be carefully planned and targeted. It must be aimed at those areas where it can make a viable contribution, and it must be well monitored once it is in operation. HR outsourcers must have developed the necessary skill sets required for successful engagement, and outsourcing must be regarded positively as an integral and strategic aspect of HR activity generally.

THE DELIVERY OF HRM BY LINE MANAGERS

Line managers have taken increasing responsibility for the delivery of HR practices over the last few decades and now play a critical role in people management in most organisations. Significantly, the way line managers implement these practices can influence employee attitudes and behaviour. Line managers are therefore the important link between employee experiences of HRM and the formation of their attitudes towards their job and the organisation. Line managers have appropriately been called 'HR agents' of the organisation because they mediate between individuals and HR practices (Truss, 2001). Research from Crail (2004) makes it clear that first-line managers are increasingly expected to have the solution to everything, from absence management to

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productivity. The research listed 23 areas of responsibility and asked respondents whether these were the responsibility of first-line managers alone, a shared responsibility, or not their responsibility at all. Only a handful of the 62 employers contacted said that the following had nothing to do with line managers:

- absence management
- appraisals
- grievance
- health and safety
- planning/allocating work
- recruitment
- staff deployment
- team briefing
- team development
- ongoing training
- welfare.

This is similar, at headline level, to a similar survey issued in 2000, although there has been a substantial increase in the number of organisations identifying each of these areas – and a still greater increase in those saying that these areas are now the sole responsibility of line managers. So a great deal is expected of first-line managers who are already busy dealing with operational responsibilities. This trend looks set to continue, many respondents expecting line managers to become more autonomous and take on more responsibility, especially for people management.

The importance of line managers in the delivery of HRM, however, is far greater than a quantitative survey can reveal. The work of Appelbaum *et al* (2000) and Purcell *et al* (2003) emphasises that the likelihood of employees' engaging in discretionary effort is influenced by the role of line managers. For example (Appelbaum *et al*, 2000: 235):

> plant managers who invest in the skills of front-line managers and include these workers in decision-making activities elicit discretionary effort by employees. This effort increases operational efficiency and competitive advantage.

This is an important conclusion. It suggests that there is a direct link between line management training and the willingness to work beyond contract and 'go the extra mile' on the part of employees.

REFLECTIVE ACTIVITY

Reflect on your organisation or one you know well. Which people-related issue is the most common source of tension between line managers and the HR function? Why do you think this is the case?

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MEASURING THE IMPACT OF HR SERVICES

Why measure HR performance? It could be said that on one level the effectiveness of – or the necessity for – HR activity speaks for itself. Clearly, if an organisation cannot recruit, retain, develop and deploy its staff efficiently, it will not survive. But this, in itself, is not enough of a contribution. The HR function has to show that it is part of the general movement towards greater efficiency and cost reduction. This in turn demands the development of viable measurement processes and techniques with which it can demonstrate its effectiveness.

This is particularly important given the pressures under which modern organisations now operate, with an increasing emphasis on good business practices, the development of new technology and the extensive use of management information systems. Customer and stakeholder requirements have become sharper and much more closely defined, which gives providing organisations increasingly less room for manoeuvre. Inefficient practices cannot be concealed or buried and so must be identified and addressed.

The HR function must therefore, in so far as it is possible, seek and apply ways of indicating efficiency, if it is to achieve and maintain any degree of credibility in the organisation in which it operates.

MEASUREMENT INDICATORS

The measurement of human resource efficiency may be somewhat difficult, and indeed thought by some not to be possible at all (Brewster and Tyson, cited in CIPD, 2005). There are, however, a number of measures that can at least move towards a greater understanding of the contribution of HR to overall organisational effectiveness. These range from the general to the more specific and quantitative.

Overall, general tests of HR effectiveness rely firmly on the extent to which HR objectives are directly linked to the aims of the organisation as outlined in its strategy and its associated operational plans. If this is well done – that is to say, if the workforce plan is developed along with the organisational strategy and seen as integral to it and not as a post-planning 'add-on' – then it may be said to be effective if the organisation as a whole is seen to be succeeding. This of course is a somewhat indirect measurement of HR effectiveness, but is nonetheless considered to be viable.

If, for example, the organisational strategy demands a workforce of a particular character and shape, possessing a defined skill mix, and the HR function is able to provide this through effective recruitment, retention, training, development and employee relations policies, then it must be seen to be making a valuable contribution. This descends from the introduction and maintenance of sound HR policy and procedure at the senior level to a committed application on the ground with a rigorous attention to detail, fairness and consistency. A good example of HR outcomes in practice is found in research reports from Michael West *et al* (2006) who strongly suggest that good HR practices can be seen to affect the performance of hospitals, as evidenced through a reduction in the mortality rate.

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In a study of 61 hospitals in England the researchers (from the Institute of Work Psychology at Sheffield University) found strong associations between HR practices and business performance measured through patient mortality. The Chief Executive and HR directors completed a questionnaire asking them about their hospital characteristics, HRM strategy, employee involvement strategy and practices, and other HR policies and practices covering the main occupational groups, such as doctors, nurses and midwives, professions allied to medicine, ancillary staff, professional and technical staff, administrative and clerical, and managers. Data was also collected on the number of deaths following emergency and non-emergency surgery, admissions for hip fractures, admissions for heart attacks, and re-admission rates. Care was taken not to bias the data and account was taken of the size and wealth of each hospital and of the local health needs. In particular, the researchers found that:

- appraisal has the strongest relationship with patient mortality
- the extent of teamworking in hospitals is also strongly related to patient mortality
- the sophistication of training policies is linked to lower patient mortality.

Specific and quantitative indicators include the use of **staff turnover** and **stability figures**, sickness absence rates, the incidence of discipline and grievance cases and personal performance and appraisal outcomes. These provide strong clues to the overall health of an organisation from which the motivation and commitment of the workforce directly stems.

Making comparisons through **benchmarking** these and other indicators between organisations can indicate relative efficiency or otherwise. Care must be taken, however, to ensure that correct and valid comparisons are being made and that there is due regard to any operational, structural or cultural differences that may affect the outcomes.

Other measures may include the study of response rates in the recruitment and grievance-handling process, customer and stakeholder feedback, both formal and more casual, **employee engagement** and output, and the detailed costing of HR activity with which to make informed decisions on the way in which HR services should be provided. That is on an in-house or external basis.

It may be difficult to determine the right balance between specific and more general HR performance measures, or indeed choosing the right ones to use in the circumstances – not made any easier by the existence of over 1,000 human capital indices (Hartley and Robey, cited in CIPD, 2005). The most important thing is to ensure that these are tailored to the needs and character of the organisation (CIPD, 2005).

Once established and used, HR performance indicators both general and specific should be kept under continuous review in order to ensure their ongoing value and effectiveness. Used positively and confidently, good HR indicators may be a powerful determinant in the direction taken by the organisation as a whole and in the credibility of the HR function in particular.

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REFLECTIVE ACTIVITY

Carefully read the following quotation from Angela Baron's conversation with Max Blumberg, Research Fellow at Goldsmiths, University of London, taken from the CIPD podcast on *Using metrics to drive value through people* (1 February 2011). Angela is the CIPD's Organisation Development and Engagement Adviser.

She agrees with Max Blumberg that HR measurement is a discipline that is becoming more sophisticated, and states that:

'Measuring has come along a great deal in the last ten years or so. We've seen a move from organisations where they struggled to even find out how many people worked for them, to where organisations are now mostly in a situation where they're pretty comfortable with data; where they're able to access some data which gives them some indications about things like skill levels, about skill shortages, about how difficult or how easy it is to recruit, some information about the culture, maybe, how satisfied people are, how engaged they are, performance data, etc. Where the difficulties are found is in translating that data into real measures that are linked to business outcomes.'

Now see if you can answer the questions that appear below. Log on to the CIPD website to hear the discussion on the podcast in more detail if you have the opportunity.

1. Why might organisations have struggled to make use of measurement data in the past?
2. What measure of HR services is used in your organisation (or an organisation that you are familiar with)?
3. If you were to design a 'dashboard' of metrics for your organisation (or an organisation that you are familiar with) to show how HR measures are linked to business outcomes, what would your dashboard look like? What are the reasons behind your choice of performance metrics?

Source: *Using Metrics to drive value through people* (2011) CIPD Podcast http://www.cipd.co.uk/podcasts, 1 February

RECENT DEVELOPMENTS IN HRM SERVICE DELIVERY

This chapter has discussed the models of HRM service delivery that are currently found in operational practice, and has concentrated on discussion of the results of research and academic thinking that demonstrate their relative effectiveness.

The CIPD Next Generation Research (2010) work, however, challenges us to think about where the HR profession is headed, and has identified a need for HR to move away from 'the service delivery and process focus with which HR is typically identified' to be more *insight-driven* (CIPD, 2012b: 2). This research focuses on the need for HR practitioners to become 'business-savvy' and to develop a much deeper understanding of the business within which they operate. The popularity of Ulrich's model stemmed in part from the desire of HR professionals to become more closely aligned with the business. Models of shared services, centres of expertise and outsourcing have allowed HR practitioners to concentrate their efforts at a more strategic level. This recent research suggests, however, that 'a comparable deeper shift in mindset and focus' is now required (CIPD, 2011e: 5). It observes that a good deal of current HR practice is still strongly concerned with service and process delivery. 'Getting things done' with

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'intervention-led delivery and high-volume activity' is still seen as the measure of success for many HR and business leaders (CIPD, 2011e: 5). It proposes that HR practitioners will need to become:

- business-savvy: having a deep understanding of a business's core values and drivers – a deep appreciation of what makes the business successful or not
- context-savvy: having an understanding of market trends and forces that affect the business and an understanding of the broader macro-economic and societal factors that affect organisations both now and in the future
- organisation-savvy: having a rich understanding of how hard and soft factors interplay to enable or derail business success – a deep understanding of change dynamics and the impact of people, culture and leadership.

Insight, it suggests, is 'not currently on the agenda for the conscientious HR professional'. The report concluded that the profession will need a significant shift 'similar to that from a policing style to business partnering' if the profession is to 'evolve again to offer organisations what they need to move to a sustainable future' (CIPD, 2011e: 5). How this research will impact on the future structure by which HRM services are delivered remains to be seen, and has the potential to be the source of debate much as that raised by Ulrich's model 15 years ago.

CONCLUSION

This chapter has highlighted key elements of the way an organisation structures its HR service delivery. At the start of the chapter the context in which HR services are delivered was explored. A range of variables that impact on the delivery of HR services was considered. Following on from this, the current models of HRM service delivery were explored, with a particular focus on a discussion of the introduction of Ulrich's three-legged stool model as opposed to the continued use of more traditional HR structures, together with a consideration of its success or otherwise. This section concluded that no one-size-fits-all model appears to be evident from the research, even though the Ulrich model has recently been considered to constitute best practice. The introduction of HR business partners appears to remains a popular method of HR service delivery. This has allowed the HR function to become more closely aligned with business practice. The chapter went on to look at HR outsourcing and its place in the provision of HR services. In particular, it focused on its role in supporting HR to realign its services as an aid to cost reduction and to concentrate resources on strategic issues within the organisation. Towards the end of the chapter we reviewed the connection between line managers and HR services. We also analysed the measurement of HR services, including their accompanying methods, and concluded that, used well, good HR indicators may be a powerful determinant in establishing the credibility of the HR function. The chapter ended with a look at a potential challenge to the way HRM services may be delivered in the future, involving a glimpse of the CIPD's Next Generation research into *insight-driven* HR.

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