

# The Global HR Delivery Model



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# **The Global HR Delivery Model**

**Diploma thesis edited for the achievement of the HES diploma**

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## Declaration

This thesis has been edited within the final examination at the "Haute École de Gestion" Geneva, for the achievement of the diploma "économiste d'entreprise HES". The student accepts, the confidentiality provision if applicable. The use of conclusions and recommendations mentioned in this thesis, without anticipation of their value, does neither engage any responsibility of the editor, nor of the Diploma thesis counselor or the jury of HEG.

"I certify having edited the present thesis on my own, without having used any other source than those cited in the bibliography."

Finalized in Geneva, August 15, 2008

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# Executive Summary

The way companies manage their employees has changed a number of times in the past 100 years. The current trends such as technological innovations, globalization, cost containment, speed in market change, importance of knowledge capital and rate and magnitude of changes, promise future changes in what is today called Human Resource (HR) Management. These changes are even more significant in the competitive environment of globally operating companies.

How should the HR function organize itself to be able to respond proactively to the demand of these trends? HR needs to find a cost efficient way to continue to attract, retain and develop talent to ensure the competitiveness of any company, while respecting the constantly shifting requirements of the global marketplace.

The HR model of the Harvard Professor Dave Ulrich has inspired most of multinational companies in the reorganization of their HR function with the objective to add value to the business. The model consists of multiple roles through which responsibilities are shared with other individuals of the corporate world. By using different delivery channels, of which some may be outsourced, HR is enabled to add value to the business and can become more professional through a clear definition of the roles.

A number of challenges in putting in place the Ulrich model can be named, such as:

- customer relation
- customization
- customer dissatisfaction
- process understanding
- power of authority
- offshoring
- outsourcing
- transformation
- cost efficiency

The model can also be compared across companies and industries through a clear definition of measurements.

A case study analyzing the new HR model of DuPont brings insights from practice. After having identified two challenges, the company has decided in 2001 to go on the HR Transformation journey and moved in 2006, after having gone through a

standardization of its IT platform and the implementation of Shared Services Centers (SSC), one step further to outsourcing of its HR services to Convergys.

The above mentioned key challenges do not stop in front of DuPont and the \$ 1.1 billion outsourcing contract over 13 years. They appear as a result of the company's culture and the specificities of the transformation to the new model. Today, the challenges can be summarized in three key issues that can be tackled with a number of recommended actions.

A brief look at the models implemented in three other multinationals, IBM, Procter & Gamble and UBS, show that beyond the differences and similarities of the transformations there are a number of common challenges. Finally, we conclude saying that the transformation of the HR function does not remain without a significant impact on the company culture and on individuals within the company as part of the society in which the company operates.

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# 1. Introduction

In the past 100 years, the way companies manage their human resources has significantly changed a number of times. The later established Human Resource (HR) function adapted itself constantly to its environment and reacted to what the companies expected it to do. The past 10 years however have brought fundamental changes and have required a significant transformation of HR, mainly in the competitive environment of globally operating companies.

How should the HR function organize itself today to be able to respond proactively to the demand of the modern world and of the business environment? How can HR adapt to the constantly shifting requirements of the global marketplace? As a graduating HR Professional, the editor of this thesis explores the journey through HR's transformation to a global delivery model.

Staying away from any process description, this thesis focuses on the organizational structure that enables the HR function to add value to the business. In the following pages the business units of a company are referred to as "the customer", a result of the paradigm of HR as a delivery organization. "Delivery" refers to services distributed as a result of customer needs. As such it is today the customer's need to have an efficient HR function that adds value to the customer. The efficient HR function ensures on one hand high quality service for its mission in attracting, retaining and developing the workforce needed and on the other hand cost efficiency so that the company can invest its financial resources into business growth.

The increased pace of change driven by trends such as technology, globalization, profitability, customer demand and mass of information, puts the spotlight on HR as the function who manages the employees who have to respond to these trends in order to stay competitive - as the company's employees and as individuals. As a driver of HR's transformation the six most important trends that shape our occupational and private environment are laid out at the beginning of the thesis.

After showing the historic development of the HR function, the HR model that currently inspires most of multinational companies is thoroughly described. As an integral element of the debate, HR Outsourcing (HRO) is briefly brought up towards the end of the first part of the thesis that focuses on the theoretic foundation of the Global HR Delivery Model.

When going from theory to practice, a number of key challenges are identified before describing the transformation that four globally operating companies, headquartered in the western world, have gone through in the past 10 years. As such, the US based science multinational DuPont, is taken out of the four, with a particular focus on the organizational design of its HR function. Based on information obtained through HR Magazines and interviews with Senior Managers of the companies, the current situation of four companies is described and, in the case of DuPont, deeply analyzed.

Finally the thesis ends with a set of recommendations for DuPont's European business, based on the analysis of the information at hand. The conclusion puts the Global HR Delivery Model into a larger economical and sociological context.

The consequences of the model for the individuals are saved for the conclusion, to enable full focus on the organizational design of HR within the body of the thesis.

# Part I: Theory

## 2. Global Trends

A study led by the Pennsylvania State University Professor William J. Rothwell identified the most important trends that will shape organizations and their HR management. Rothwell and his team defined them as following<sup>1</sup>:

- Technological change
- Increased globalization
- Continued cost containment
- Accelerated speed in market change
- Growing importance of knowledge capital
- Increased rate and magnitude of change

### 2.1 Technological Change

Technology refers to tools that are used to achieve work results. This includes information technology (IT), technology used to reengineer business processes and others. It also mainly includes the know-how needed to make the tools work. Therefore, it influences the skills that workers must have in order to do their jobs.

The HR function has started using technology in the late 90ies and has learned to use it to achieve its strategy.

### 2.2 Increased Globalization

Globalization refers to commerce without borders. Indeed, today it is possible for more people than ever to collaborate and compete in real time across all continents with almost equal opportunities.

In addressing this trend, Line Managers and HR Managers must collaborate across country borders and cultures as they seek solutions for their global organizations. This means drawing more attention to diversity, open thinking and constant willingness to embrace change.

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<sup>1</sup> ROTHWELL, William J., PRESCOTT, Robert K. and TAYLOR, Maria W.. *Strategic Human Resource Leader: How to Prepare Your Organization for the Six Key Trends Shaping the Future*. First Printing. Palo Alto, California, U.S.A: Consulting Psychologists Press, Incorporated, 1998. 348 p.

Globalization has a deep impact on the competition, not only on a country and company level but also on the individual level. The New York Times columnist Thomas L. Friedman, describes three eras of Globalization in his book “The World is Flat”<sup>2</sup>. The three eras can be summarized as following:

**Table 1**  
**The three great eras of Globalization**

<b>Era</b>	<b>From</b>	<b>To</b>	<b>Dynamic Force</b>	<b>Agent of change</b>
Globalization 1.0	1492	1800	Country / Nation	Competition about Force, Power and how they can be deployed
Globalization 2.0	1800	2000	Multinational Companies	Falling transportation costs and later falling communication costs
Globalization 3.0	2000		Individuals	Access to Personal Computers, the World Wide Web (global information) and workflow software (global collaboration)

Source: The World is Flat 3.0 (p. 9-12)

The workforce competition is already happening on a global level, not only from the company’s perspective but also for individuals: Countries with a capable workforce and fair or even cheap labor cost will enjoy a comparative advantage over economically developed nations where labor costs are much higher. On the other hand, economically developed countries will need to do increasing efforts to keep their workforce competitive on a global level.

Globalization is not always recognized as a positive trend. Friedman comments: “...we are now connecting all the knowledge centers on the planet together into a single global network, which – if politics and terrorism do not get in the way – could usher in an amazing era of prosperity, innovation and collaboration, by companies, communities and individuals.” (The World Is Flat 3.0 page 8)

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<sup>2</sup> FRIEDMAN, Thomas L.. *The World Is Flat 3.0: A Brief History of the Twenty-first Century*. First Printing. New York, U.S.A: Picador / Farrar, Straus and Giroux, 2007. 660 p.

### **2.3 Continued Cost Containment**

Cost containment means making products or delivering services at the lowest possible cost. For HR this means emphasizing on the establishment of strategic partnership, using new technology, such as workflows and web tools (usually referred to as eHR), to reduce cost and outsourcing to allow the organization to focus on its core business. Organizations must manage their people-cost and their talent needs more efficiently.

### **2.4 Accelerated Speed in Market Change**

Speed in market change means that customer expectations are changing more quickly than ever and that customers expect their needs and desires to be met instantly. Companies must respond more rapidly to consumers' wishes. Markets in many sectors are unstable and the first company to get there with the desired products or services will be in the best position to earn market shares. Customers have come to expect a faster cycle of new products and services and they are unlikely to tolerate quality or quantities that do not meet their requirements.

### **2.5 Growing Importance of Knowledge Capital**

Increasingly, the knowledge capital gains importance for any organization. To effectively manage intellectual capital, an organization must create or acquire the critical knowledge and then organize it in a way that it can produce the desired result. Knowledge capital is frequently associated with a core business or a core capability. In order to respond to this trend HR needs to be capable to attract, retain and develop the talent it needs to deliver the business objectives. The mobility of knowledge through worldwide collaboration via Web based software and the mobility of individuals are useful assets for companies to work effectively with its talents on a global level.

Nowadays, organizations need to focus on a different kind of capital. Peter F. Drucker, who was in 1959 the first to study the Knowledge Worker, says: "The most valuable assets of a 20<sup>th</sup>-century company were its production equipment. The most valuable asset of a 21<sup>st</sup>-century institution, whether business or nonbusiness, will be its knowledge workers and their productivity." (Management Challenges for the 21<sup>st</sup> Century page 135)<sup>3</sup>

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<sup>3</sup> DRUCKER, Peter F.. *Management Challenges for the 21<sup>st</sup> Century*. First Printing. New York, U.S.A: HarperCollins Publishers Inc., 1999. 226 p.

## **2.6 Increased Rate and Magnitude of Change**

Change results from the key trends mentioned above. The rate and magnitude of these changes increase more and more. HR should be the strategic partner and facilitator for organizations to react to and even anticipate, change. HR must be able to assemble a team of individuals capable of dealing with the challenges posed by the external environment.

## 3. Historic Development of the HR Role

### 3.1 From the Early Days until 1970

Before the creation of HR, “hiring and firing” employees, was done by entrepreneurs. This was the result of their day to day work in acquiring land, equipment, materials and consequently people.<sup>4</sup> In the 19<sup>th</sup> and 20<sup>th</sup>-century HR was seen as an administrative function monitoring employee presence (eg. time keeping administration) and making sure that they get paid.<sup>5</sup> With the changing labor legislations in developed countries in the 1960s and 1970s, unions began to represent employees. In order to be in a position to negotiate with these unions, companies named their representatives which made out of HR a specialist in labor and industrial relations.

HR began to develop other specialties. Harvard Professor Dave Ulrich summarizes: “The staffing function grew out of the belief that, with testing and assessment, employees could be matched to jobs and their performance increased. Training grew out of the belief that, with proper training programs, employees could develop the skills necessary to do their jobs. Compensation grew out of the belief that, if designed appropriately, compensation systems could motivate employees to higher performance. Appraisal systems grew out of the need to specify the behaviors and outcomes expected of employees so that management goals could become employee goals.” (Human Resource Champion page 239)<sup>6</sup>

### 3.2 The 1970s and 1980s

In the 1970s, HR had four core competences: recruiting, development, appraisal and rewards. Later in the 1980s organizational design and employee communication were added to these competences<sup>7</sup> and it was also in this period where Human Resource Management (HRM) started to appear.

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<sup>4</sup> ULRICH, Dave. *Human Resource Champions*. First Printing. Boston, Massachusetts, U.S.A: Harvard Business School Press, 1997. 314 p.

<sup>5</sup> HUNTER, Ian, SAUNDERS, Jane, BOROUGHS, Allan and CONSTANCE, Simon. *HR Business Partners*. First Printing. Aldershot, Hampshire, England: Gower Publishing Limited, 2006. 168 p..

<sup>6</sup> ULRICH, Dave. *Human Resource Champions*. *op. cit.* p. 7

<sup>7</sup> *ibid.*

HRM brought in two main topics that are still key to HR's goals and aspirations today:

- Linking HR activities to business outcomes (ie performance orientation)
- Modeling the interactions between all parties involved in people management

Both are supporting the business in delivering its strategy. Doing this, HR started to become a partner of its organization.

The Harvard model of Professor Michael Beer<sup>8</sup> is the HRM model that had the most important impact. The HRM model moved the focus from HR processes and systems to developing a high commitment amongst employees, through which the employees were aligned with the goals and strategy of their organization.

Following the debate around HR moved to analyzing how HR activities affect employee performance. This was the groundwork for HR to step out of its, at the time, reactive nature as a specialist in labor and industrial relations and responder to periodic requests.

As a result of the HRM models, companies realized the need to align HR activity with the organizations' objectives and performance: The need of HR's added value to the business.

### **3.3 The Ulrich Model (1997)**

In order to move on from the early HRM models of the 1980s to a more strategic level, the Harvard Professor Dave Ulrich defined the HR delivery model of the future: A model that can assess the strategic needs of the organization and develop the appropriate people management and implement it successfully.

In his book *Human Resource Champions* Dave Ulrich explains thoroughly what became known as the Ulrich Model. He defines new roles for HR, each of them with their own focus and deliverables.

#### **3.3.1 The Multiple Role Model**

The Ulrich Model basically enables HR to tackle the strategic issues of the organization by defining four key roles that the HR function must fulfill to become an effective partner to their organization.

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<sup>8</sup> Beer, M., Lawrence, P.R., Mills, D.Q. and Walton, R.E.. *Managing human assets*. New York, U.S.A.: Free Press, 1984. 209 p.

**Figure 1**  
**The Ulrich Model**



Source: Ulrich, D. (1997) Human Resource Champion (p. 24)

This figure shows on two axes the HR function's focus and activities. The axes range from the long term / strategic focus to the short term / operational focus. The activities range from managing processes (tools and system) to managing people. Being close to practitioners Ulrich shows the roles in terms of deliverables.

The below table shows the definitions Ulrich gives to the above key roles:

**Table 2**  
**Ulrich's Definition of HR Roles**

<b>Role / Cell</b>	<b>Deliverable / Outcome</b>	<b>Metaphor</b>	<b>Activity</b>
Management of Strategic Human Resources	Executing strategy	Strategic Partner	Aligning HR and business strategy: "Organizational diagnosis"
Management of Firm Infrastructure	Building an efficient infrastructure	Administrative Expert	Reengineering Organization Process: "Shared services"
Management of Employee Contribution	Increasing employee commitment and capability	Employee Champion	Listening and responding to Employees: "Providing resources to employees"
Management of Transformation and Change	Creating a renewed organization	Change Agent	Managing transformation and change: "Ensuring capacity for change"

Source: Ulrich, D. (1997) Human Resource Champion (p. 25)

In the above table, Ulrich lines out the new key roles of HR. The first role, **Management of Strategic Human Resources**, combines improvements in delivery for the function and for the business.

In this role HR is enabled to handle strategic issues by being a Strategic Partner, actually sitting in the board room and acting on executive level in defining the business strategies. Using skills of organizational diagnosis and HR tools, the Strategic Partner has a shared agenda on priorities ensuring that the business has the people capacity to execute its strategies.

**Table 3**  
**Examples for Deliverables of the Strategic Partner**

Strategy	Example
Reducing costs	Implement compensation, job rotation and downsizing practices reducing labor cost.
Growing global market share	Adapt hiring practices and career paths to ensure competences on a global level.
Increasing global revenue	Change compensation system so it rewards sales growth.
Access new markets	Offer training and development opportunities in the new markets.

Source: Ulrich, D. (1997) Human Resource Champion (p. 26, 27)

The second role, the **Administrative Expert**, helps to demonstrate that HR is supporting the financial goals of the company by focusing on designing an efficient and high quality service delivering processes to manage the flow of employees through the organization. Activities include recruiting, training, appraising, rewarding and promoting. This often down-played role of HR can add value to a business by effectively managing cost through reengineering and standardizing HR work processes. In practice the Administrative Expert is often being transformed into the organizational form of Shared Services Centers (SSC). In these centers, HR administrative services are shared across business units while still maintaining high quality for their customers.

**Table 4**  
**Examples for Deliverables of the Administrative Expert**

Strategy	Example
Cost savings and efficiency	Reengineering HR processes, by streamlining and automating them and / or combining several parallel systems into a single one. (for example through eHR).
Increase productivity	Hiring and training managers who increase productivity and efficiency and reward them for their achievements.

Source: Ulrich, D. (1997) Human Resource Champion (p. 28)

The third role, **Management of Employee Contribution**, focuses on the employee relationship, understanding their needs and improving employee capability through the establishment of the Employee Champion role. In companies with an increasing part of knowledge workers, where intellectual capital becomes a critical source, the HR function has to develop and leverage this capital. When employees are competent and committed, the intellectual capital becomes a significant asset that is reflected in a company's financial results. The Employee Champion will creatively find ways and implements the tools for employees to express opinions and feel ownership in the business. They encourage employee suggestions both from individuals and at forums regarding business strategies and eventual difficulties with the management. The Employee Champion strengthens the link between employees and business strategies, which improves their commitment.

**Table 5**  
**Examples for deliverables of the Employee Champion**

Strategy	Example
Increasing commitment	Using participative methods (discussions) to brainstorm about corporate principles, values and culture and incorporate them in the company's strategy ("jams").
Taking into account employee needs	Install regular employee surveys to monitor employee satisfaction. Providing a call center where teams provide emotional support to employees in high performance areas.
Increasing competence	Holding employee meetings during which they can express their views on the company

Source: Ulrich, D. (1997) Human Resource Champion (p. 29, 30)

The fourth role, the **Change Agent**, allows the function to meet the challenges of the changing business environment and position the business to execute strategy. HR adds value through the Change Agent by managing transformation (fundamental

cultural change) and change (initiatives and processes). For the HR function serving as Change Agent means appreciating and respecting the tradition and history of a business while acting for the future. The Change Agent may need to force or facilitate a dialogue about values as they identify changes to initiate that will help a company to remain competitive over time.

**Table 6**  
**Examples for deliverables of the Change Agent**

<b>Deliverable</b>	<b>Example</b>
Capacity for change	Define processes for managing and help change happen (identifying and framing problems and finding solutions and creating action plans).
Transformation	Helping employees to leave old and adapt to a new culture.
Increasing competence	Holding employee meetings during which they can express their views on the company

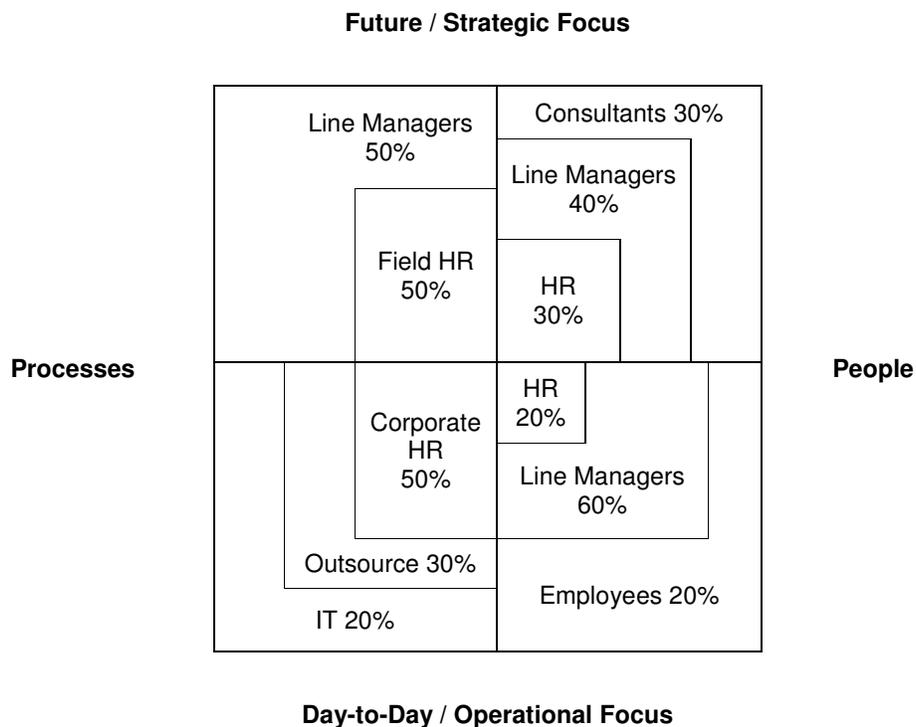
Source: Ulrich, D. (1997) Human Resource Champion (p. 30, 31)

### **3.3.2 Responsibilities within Ulrich’s Four Roles**

While the HR function owns the accomplishment of the Ulrich model and its four roles, they may not have to do all the work across the four roles. They need to define the shared responsibility for the delivery and ensure the process knowledge and respective tools are available to the executer of the respective work. Depending on the process established, the work may be shared with consultants, line managers, employees or technology (such as eHR).

In the below Figure, Ulrich shows how the four roles can be shared. He also allocates points that show the expected commitment to the outcome. This allocation can vary from company to company. Ulrich allocates points from 1 to 10 in his original figure, here they are shown in percentage for a better visibility:

**Figure 2**  
**Shared Responsibility in the Ulrich Model**



Source: Ulrich, D. (1997) *Human Resource Champion* (p. 43)

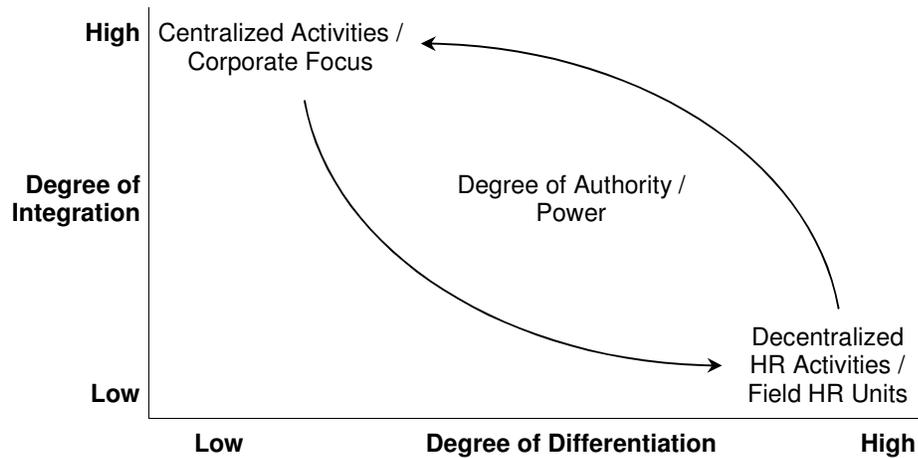
### 3.3.3 The Organizational Structure of HR

Further to defining the new key roles, Ulrich also treats the organizational structure of HR in his Book the *Human Resource Champion*. This gains importance in the debate around power and authority, for example for design, change and delivery of HR systems and processes.

Power is concentrated generally either at a corporate level or in the business units (Field HR Units). The below figure shows the dynamics in terms of degree of integration (or centralization) versus degree of differentiation (decentralization)

**Figure 3**

**Ulrich's Centralization versus Decentralization Quandary**



Source: Ulrich, D. (1997) Human Resource Champion (p. 95)

The Centralize / decentralize question focuses on how a function is organized rather than who uses the services of the function. It puts attention on power and authority rather than more on the actual service provided to the customer.

HR needs to avoid this debate by transforming parts of its roles into a service entity: The shared services organization. Routine transactions are standardized at a single location called Shared Services Center (SSC). Another element of the shared services organization is the Center of Expertise (CoE), who gathers technical experts in each HR area at a single location. CoEs often focus on transformed services or on implementing HR elements such as design of benefits. CoEs combine individuals and teams who have specific knowledge and expertise in HR areas, such as staffing, benefits design, policy design, etc., while SSC combine individuals and teams who have delivery experience in different HR areas.

Ulrich defines 4 Steps for creating a shared services organization:

**Step 1: Customer Requirements:** The customers for the HR function are the line managers and employees who use the company's HR services. Customer requirements are formed by the expectations of the Company towards HR services. While all of the above mentioned roles have to consider Customer requirements, the Administrative Expert needs to thoroughly analyze them in order to create the shared service organization.

**Step 2: Customer Interface:** HR needs to diagnose its organizational capability and setting organizational priorities to increase competitiveness. HR initiatives and processes need to be translated into business results, while the shared service organization becomes the owner of the company's HR work for the assigned processes. On one hand HR needs to facilitate the accomplishment of the HR work and on the other hand the shared services organization need to design standardized processes and ensure its quality, while maintaining a healthy interface between the shared services organization and the business requirements.

**Step 3: Process:** When the business requirements have been identified, HR needs to create the standard processes (often referred as Best Practice) for the delivery of those requirements. The shared service organization can deploy multiple delivery channels to accomplish them. Ulrich mentions five of them:

**Table 7**  
**Delivery Channels of HR services**

<b>Channel</b>	<b>Definition</b>
HR professionals dedicated to the business	In the traditional organization, the majority of HR work was accomplished by HR professionals dedicated to the business. Even in a shared service organization, large and complex businesses may merit dedicated resources (for example: staffing, compensation, or training).
HR professionals in shared service roles	HR professionals in service centers and centers of expertise may be called on to meet business needs. In these cases, the HR first defines the requirement and then assembles a team to meet the business's needs.
Line managers	HR uses many approaches to involve and train line managers in HR work. (for example: compensation definition, employee coaching, organizational change)
Information technology	Many companies are investing in HR information technology (for example eHR). Software, automation and technology can help deliver HR services as simple as flexible benefits or as complex as succession and compensation planning. This is a key factor for HR professionals to be more dedicated to its partner role and managers to their employees.
Outsourcing	HR process may also be outsourced to vendors, consultants, or other third parties.

Source: Ulrich, D. (1997) Human Resource Champion (p. 108, 109)

**Step 4: Shared Services:** The shared service centers (SSC) and centers of expertise (CoE) mentioned above are the fourth step in creating a shared service organization. Both are shared resources for a company (for all its units) and increase efficiency and economies of scale, while still being dedicated to the business requirements.

Below table summarizes the key factors of shared services centers and centers of expertise:

**Table 8**  
**Differentiating Service Centers and Centers of Expertise**

	<b>Shared services Center</b>	<b>Centers of Expertise</b>
Focus	Employee transactions	HR practices that transform the company
Work Activity	Reengineer and get economies of scale	Centralize functional expertise so it can be allocated to businesses
Successful if...	<ol style="list-style-type: none"> <li>1. Cost are reduced</li> <li>2. Employees are served more quickly with better quality</li> </ol>	HR practices help accomplish business goals in innovative, targeted ways
Role	<ul style="list-style-type: none"> <li>• Customer service representatives</li> <li>• Policy experts</li> </ul>	<ul style="list-style-type: none"> <li>• Consultants / facilitators</li> <li>• Technical advisors</li> <li>• Troubleshooters</li> <li>• Screen suppliers</li> <li>• Coaches</li> </ul>
Interface with...	All employees	Primarily through HR generalists in the field
Interface through...	<ul style="list-style-type: none"> <li>• Call centers</li> <li>• Voice recognition (computer system recognizing spoken words)</li> <li>• Kiosks (display or information booth)</li> <li>• Customer service representatives</li> <li>• Information Technology</li> <li>• Face-to-face contact</li> </ul>	<ul style="list-style-type: none"> <li>• Task teams</li> <li>• Consulting services</li> </ul>

Source: Ulrich, D. (1997) Human Resource Champion (p. 103)

### 3.3.4 Myths That Keep HR from Being a Profession

Finally the goal of Ulrich's model is to make HR more strategic and more focused on being competitive. By putting a strategic agenda, creating value and focusing on deliverables HR can do a better job. In the past the HR function has been struggling with its reputation. Below Ulrich summarized the myths that keep HR from being a profession. The Ulrich Model enables HR to replace these myths by a new reality:

**Table 9**  
**Myths That Keep HR from Being a Profession**

<b>Old Myths</b>	<b>New Realities</b>
People go into HR because they like people.	HR departments are not designed to provide corporate therapy or as social or health-and-happiness retreats. HR professionals must create the practices that make employees more competitive, not more comfortable.
Anyone can do HR	HR activities are based on theory and research. HR professionals must master both theory and practice.
HR deals with the soft side of a business and is therefore not accountable.	The impact of HR practices on business results can and must be measured. HR professionals must learn how to translate their work into financial performance.
HR focuses on costs, which must be controlled.	HR practices must create value by increasing the intellectual capital within the firm. HR professionals must add value, not reduce costs.
HR's job is to be the policy police and the health-and-happiness patrol.	The HR function does not own compliance—managers do. HR practices do not exist to make employees happy but to help them become committed. HR professionals must help managers commit employees and administer policies.
HR is full of fads.	HR practices have evolved over time. HR professionals must see their current work as part of an evolutionary chain and explain their work with less jargon and more authority
HR is staffed by nice people.	At times, HR practices should force vigorous debates. HR professionals should be confrontative and challenging as well as supportive
HR is HR's job.	HR work is as important to line managers as are finance, strategy and other business domains. HR professionals should join with managers in championing HR issues.

Source: Ulrich, D. (1997) Human Resource Champion (p. 18)

## 4. HR Outsourcing

Human Resource Outsourcing (HRO) is when a company assigns HR activities on an ongoing basis to third-party-vendors (TPV) or consultants. The company contracts them to deliver services in a specific HR activity. In the ideal situation the service is predetermined and is being performed for a defined fee per transaction. In theory there are three characteristics to consider before outsourcing an HR activity:<sup>9</sup>

- The work can be performed by an external third party, possibly at lower cost.
- Credible service providers have the requisite skill, technology and subject matter expertise to deliver the services.
- It is possible to negotiate a contractual agreement that will bind a provider to perform the services under a service level agreement at a predetermined cost.

HRO is used by companies to gain a competitive advantage. Although they lose some control of ongoing activities, companies will reduce costs, which is usually an outsourcing objective. According to the Society for Human Resource Management (SHRM) Survey Report 2004 (p. 3) the following 10 HR activities are most commonly outsourced (detailed table in Appendix 2):

- Background/criminal background checks
- Employee assistance / counseling
- Flexible spending account administration
- Reconciliation Act administration
- Health care benefits administration
- Temporary staffing
- Pension benefits administration
- Retirement benefits administration
- Employee relocation
- Payroll administration

According to a study by the Everest Research Institute "the cumulative total contract value of human resources outsourcing transactions reached \$ 21.2 billion in 2006 and is expected to be \$25.4 billion by the end of this year (2007),"<sup>10</sup>

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<sup>9</sup> COOK, Mary F. and GILDNER, Scott R.. *Outsourcing Human Resources Functions: How, why, when and when not to contract for HR services*. Second Printing. Alexandria, Virginia, U.S.A.: Society for Human Resource Management, 2006. 231 p.

<sup>10</sup> EVEREST RESEARCH INSTITUTE. NEWS & EVENTS [online]. November 2, 2007. <http://www.everestresearchinstitute.com/News/10068> (visited on August 10, 2008)

The number of providers of HR (Business Process) Outsourcing has also increased dramatically and includes Hewitt, IBM, ADP, ACS, Convergys, Accenture, Arinso, ExcellerateHRO (EDS), Fidelity and Ceridian.<sup>11</sup>

There are many other reasons for organizations to consider outsourcing, the SHRM Survey of 2004 shows the most common of them:

**Table 10**  
**Reasons for HR Outsourcing**

Save money or reduce costs	56%
Control legal risk and improve compliance	55%
Gain access to vendor talent or expertise	47%
Streamline HR functions	45%
Offer services the organization could not provide	44%
Allow the company to focus on its core business	42%
Reduce the number of HR staff and related staff expenses	41%
Provide consistent or improved service delivery	36%
Allow HR staff to focus more on strategy	33%
Make up for the lack of in-house talent or expertise	27%
Gain access to vendor technology	23%
Avoid the cost of major investments in technology	18%
Make up for a reduction in HR staff	13%
Improve metrics or measurements	10%
Other	5%

Source: Human Resources Outsourcing Survey Report (2004) SHRM Survey Program (p. 4)

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<sup>11</sup> WORKFORCE MANAGEMENT, March 26, 2007 edition, Detroit, Michigan, U.S.A.: Crain Communications, Inc.

## Part II: Practice

### 5. From Theory to Practice

#### ***5.1 Challenges in putting the Ulrich model in practice***

Perhaps it is because the HR profession does only have a few “gurus” that the Ulrich model has become integrated in so many companies. In the last six years 80% of global organizations have restructured their HR functions. According to a survey of the Chartered Institute of Personnel and Development (CIPD)<sup>12</sup> 57% of respondents say their HR organization now reflects either completely or partially the Ulrich Model described in Part I of this thesis.

##### **5.1.1 Customer relation**

The Ulrich model needs to be implemented in partnership between the business and HR. In order to help making the partnership work, measurements and service levels need to be agreed in a clear scope definition. Service Level Agreements (SLA) help to measure performance and make areas of improvement visible to both. The business and HR may need to appoint customer relation managers that represent the customer’s needs and HR’s capability for the implementation of HR processes. Ensuring that both parties agree with the policies and processes is key to ensure that the business perceives the value that HR adds. Standardized workflows may decrease flexibility for the individuals, however they help to deliver faster and more efficiently. As a result expectations on both sides can be clearly defined.

Customer relation managers can also act as escalation points, for both the customer and the business. However such a structure further increases the costs of the HR organization.

##### **5.1.2 Customization**

Another challenge rises for HR when consolidating activities for a number of countries and business units: HR may need to cope with a number of exceptions that will rather complicate the standardized processes than improve them. This customization results in a multiple benefits and conditions system. Payroll systems for example may even need to be designed to handle multiple compensation systems, which results in

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<sup>12</sup> (FHRD) FOUNDATION FOR HUMAN RESOURCES DEVELOPMENT [online]. <http://www.fhrd.org/cipdpresrelease170907b.asp> (visited on July 14, 2008)

increasing labor costs for programming. Furthermore, additional manual interventions usually increase potential process errors.

### **5.1.3 Customer dissatisfaction**

The adaption of the Ulrich model can result in some dissatisfaction and frustration within the Business Units. The main reasons for this can be summarized in two points:

- Lack of personal support for the day to day operational HR issues: The standardized processes of the SSC do not take into account the variable needs of the different customers across business units and the HR Partner interacts at a strategic level.
- Line management and employees become more responsible of certain HR tasks: It is not always clear to them who is accountable and / or owns the process.

As a result of this HR cases are often passed from line managers to Process Owners in SSCs, may be escalated to CoEs, passed back to the line manager again or to a corporate HR Manager and so on. This leads to decreasing customer satisfaction and a feeling of inefficiency. Inefficiencies means for the business increasing costs and time spent on getting cases resolved.

### **5.1.4 End-to-end process understanding**

In the Ulrich model, not only the job title has changed, but also the way how work is done: Within an SSC an HR Professional is doing operational delivery and is therefore a different kind of person than the HR Professional working in a CoE designing a policy or a compensation model.

For the HR organization, having specialized teams for HR activities within SSCs and CoEs means increasing expertise in specific areas, however it lowers the understanding of the big picture. Understanding the end to end process is crucial to understand the customer's needs. Some internal rotation may help process owners to better understand what goes on outside their own activity and therefore better deliver in their day to day work.

### **5.1.5 Centralization**

The centralization versus decentralization question is present in any function. In HR the fundamental debate is about where to place the design and coordination of HR activity: on corporate or business unit level and globally or locally. Ulrich frames this debate in terms of degree of integration (centralization) versus degree of differentiation (decentralization). His theory is cited in Part I. Ulrich points out that the fundamental

debate is around power and authority. The power of decision and design of HR systems, as well as how they are delivered to the customer. Often it is difficult to implement globally decided models at a local level and the local organization needs to respect the authority of the global decision makers. They need to cope with the global policy and respect the authority of company principles.

The path to centralization can be painful: when standardizing and centralizing a process the help of local process owners is always needed. Sometimes they cut off their own jobs while helping others to succeed. Standardization does only work at a large scale. Centralization of decision power in design is key to standardization and therefore helps gaining economies of scale in the processes.

### **5.1.6 Offshoring**

In order to further gain economies of scale, processes in SSCs and CoEs are often centralized at a regional or global level. In some companies employees are centralized in teams but physically still decentralized in their own locations (or on “location free” jobs). Today any work that can be digitized can be migrated to any country that has the skill, knowledge and an internet connection. Companies often chose either the country with the best qualified, or the cheapest workforce, or a combination of the two. In fact, delivering processes on a global scale allows companies to increase speed and reduce cost, since a process can be started in Western Europe and further proceeded overnight somewhere in Asia. In other words, the workflow can follow the sun and can be treated where people are available for work.

The offshoring step can be painful for individuals and therefore it is often disliked by some stakeholders like line managers or even the HR Professionals. Additionally migration may result in some process errors in the beginning. However, since it has become vital for any corporation to reduce costs, it seems to be an essential step to remain competitive on a global level.

Today, offshoring and outsourcing are often treated as synonymous terms. But within offshoring there are different alternatives such as the captive model, where services are kept inside the company, while still being delivered from a different site. Another option is near-shoring, where services are delivered from a different country but in geographic proximity.

### **5.1.7 Outsourcing**

Delivering processes offshore does not necessarily mean that the process is outsourced, although outsourcing may come before, during or after the migration.

In an outsourcing environment there is always a need for a customer relation program. Also, there is a strong need for clear definitions of scope, Service Level Agreements (SLA) and targets, as well as a definition of how they are measured.

### **5.1.8 Transformation**

In order to overcome the above mentioned challenges transforming HR needs careful planning and delivery of a sustainable solution. Ulrich defines four steps to create a global HR delivery organization. However in practice the term “HR Transformation” is frequently used to describe the changes that the HR role is experiencing.

The trends mentioned in Part I of this thesis do not allow HR to remain a constant function, but requires a more flexible role that can be a partner in strategy and planning in today’s business reality. It needs to provide the necessary resources that are able to respond to the business’ often changing challenges and needs.

In his model, Ulrich presents one of the HR roles as change agent for the business. Yet HR needs to transform itself first from the original role to a partner of the business on a strategic level. Transformation is a fundamental change in a company’s culture. HR Transformation deals with the change of the design of the HR function, which has a strong impact on a company’s culture. However, it only works if the HR Professionals change the way they work and interact with the business.

HR Transformation started in US based Organizations in the early nineties and progresses further globally until today.

Process reengineering and technology are key to HR’s capability to transform itself and its relationship to the business. These changes mean a cultural change in making employees more self-sufficient and asking them to take more responsibility for their own career. A second cultural change is to remove HR as an intermediary between employees and managers and to make the line managers responsible for handling their employees’ HR needs.

So in practice HR has created a new service delivery model in the last ten years, moving some of the responsibility for HR tasks to employees and managers as well as to experts in SSCs and CoE. This new service delivery model can help improve

efficiency and can provide a strong foundation for ongoing HR services and process improvements.

### **5.1.9 Cost efficiency**

Cost efficiency is at the origin of the reasons why companies seek to transform HR and has therefore deserved a special focus: In business reality profitability and cost control is key to competitiveness and to sustainable long term survival. Shareholders demand quarterly increasing profitability. In the past years the spot has turned towards HR, who needed to learn to justify its spending to the business. HR Leaders had to learn to argument in business language which is basically cost and return. When moving on to outsourcing, HR had to set prices for its work and the value it delivers.

Cost efficiency means doing more with less. In HR practice this means increasing transactions and decreasing costs. This can be obtained through consolidation. For example, if the Ulrich model is implemented on a global or regional level, economy of scale can be realized through consolidation of services. Cost can further be decreased through standardization and outsourcing.

The HR function has a number of tools to achieve cost savings, while maintaining or even improving service quality. The tools include process reengineering, decentralization, consolidating services, standardization or simply becoming more efficient through a better organizational design. If HR can be transformed into a more cost efficient organization the business can further invest its financial resources into business growth.

### **5.1.10 Strengths, Weaknesses, Opportunities, Threats (SWOT) of the Ulrich Model**

The above points can be summarized in the following SWOT analysis

**Figure 4**  
**SWOT of the Ulrich Model**

<p align="center"><b>Strengths</b></p> <p>Broadly adapted model → benchmarking capability</p> <p>Building expertise in SSC and CoE</p> <p>Model builds conscience of people responsibility within the Line Management</p> <p>Definitions of scope and service level agreements</p> <p>Global scale of the model</p> <p>End-to-end thinking</p>	<p align="center"><b>Weaknesses</b></p> <p>Missing competition of gurus and models</p> <p>Variable needs cannot be considered</p> <p>Complexity of processes</p> <p>Specialization forms one-track specialists with tunnel view</p> <p>Missing understanding of who is accountable</p> <p>Ability to change of those who need to change</p>
<p align="center"><b>Opportunities</b></p> <p>Economy of scale through standardization</p> <p>Focus on strategy and adding value</p> <p>Capability on improving processes</p> <p>Focus on inventing new services and delivery models</p>	<p align="center"><b>Threats</b></p> <p>Decreasing personal support</p> <p>Cost and efforts in relations between HR's business and the business</p> <p>Process errors and human errors caused by exceptions</p> <p>People management capability of line managers</p> <p>Turnover in SSCs</p> <p>Power play between different actors in HR</p>

Source: recapitulation of above

### 5.1.11 Conclusion

If the Ulrich model fits the type and size of a company, it can be implemented successfully. However the transformation is not a quick fix but a complex cultural change for both HR and the line management. HR needs to understand the business reality to learn how to add value to it and the line management needs to learn to cope with the changes the new model means for their day to day HR issues.

## 5.2 Defining goals and measurements of a new model

In order to compare different models, goals and measurements, such as Key Performance Indicators (KPI), need to be defined. Within these models SLAs can be used to monitor performance of each service line, however since there is no cross company standardization of SLA's it is difficult to use it as benchmark.

Creating measuring SLAs is a challenge in most of HR areas since the value perception of a service is different depending on the specific situation of an individual in the corporate world. Additionally employees often do not differentiate between dissatisfaction of the policy or the service provided.

Across industries, companies and HR areas, four main goals can be defined. Below table summarizes the goals and gives examples of the methods and challenges associated with these goals.

**Table 11**  
**Goals, Methods and Challenges of HR Transformation**

<b>Goal</b>	<b>Methods</b>	<b>Challenge</b>
Shift from administration to strategy	Remove administrative component of the work of Business HR professionals (HR Partners) to enable them to provide more value added services and focus on consultive and analytical high level interactions with line managers.	<ul style="list-style-type: none"> <li>- Ulrich's "Myths that keep HR form being a profession"</li> <li>- the changing skills and talent required to the HR function</li> </ul>
Streamlining technology and data management	Globally aligned HR information systems (peoplesoft, Oracle, SAP)	Improve HR reporting and reduce operating costs, while remaining compliant to the different local legal requirements
Managing people globally / global mobility of talent	The interdependencies of global markets need a global management of human assets (competences, experiences and development goals).	Legal constraints of global mobility, culturally based employee relation issues.
Reducing costs	Standardization, self service, shared services, offshoring, outsourcing	Cultural change amongst employees and managers

Source: Personal source of information

## 6. Case Study: Du Pont's new HR Model

The objective of this case study is to analyze the transformation of DuPont's HR function in Europe to its new HR Delivery Model and to see whether, based on the information at hand, there are areas to improve.

### 6.1 The company

DuPont, founded in 1802, is a multinational US based company that offers science based solutions for markets including agriculture, nutrition, electronics, communication, safety and protection, home and construction, transportation and apparel. 75 research and development and customer service labs are at the origin of its innovative products and services. DuPont owns brands such as Corian, Kevlar, Lycra and Teflon<sup>13</sup>.

Today DuPont operates in 70 countries and employs 60'000 employees worldwide creating revenues of \$ 29.4 billion (2007)<sup>14</sup>. In Europe, Middle East and Africa (EMEA), DuPont employs more than 17'000 employees.<sup>15</sup>

### 6.2 Description of DuPont's new HR Model

#### 6.2.1 Two challenges

As in every organization the success of DuPont largely depends on the skills and commitments of its employees. As such, HR is one of DuPont's top priorities.<sup>16</sup>

In order to have an efficient HR function, DuPont realized that each country having their own processes for managing people results in a considerable duplication of work. For example, the HR/employee ratio (employees per dedicated HR person) in the company was 1/60, while 1/100 is closer to industry best practice. One of the main

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<sup>13</sup> DUPONT. DUPONT.COM: COMPANY AT A GLANCE [online]. [http://www2.dupont.com/Our\\_Company/en\\_US/glance/index.html](http://www2.dupont.com/Our_Company/en_US/glance/index.html) (visited on July 14, 2008)

<sup>14</sup> *ibid.*

<sup>15</sup> DUPONT. RORIVE, Dominique. *DuPont HR Model*. Presentation HR Today.ppt. Address: DuPont de Nemours International S.A., 2, chemin du Pavillon, 1218 Le Grand-Saconnex, Geneva, Switzerland.

<sup>16</sup> IBM. IBM Global Technology Services - United Kingdom [online]. <http://www-935.ibm.com/services/uk/igs/pdf/case-dupont-ehr-3.pdf> (visited on July 14, 2008)

goals of DuPont's European HR transformation was therefore to improve that ratio, while maintaining or even increasing HR's value to the business units.<sup>17</sup>

It was in the year 2000 when Tim Farrell, at the time HR Director for Europe, noticed that the company's HR function faces two challenges<sup>18</sup>:

- The roles and responsibilities of HR were unclear
- A large part of HR activities were transactional (administrative)

Based on these facts, a project team was created in 2001 in order to complete a benchmarking study and to come up with solutions to overcome these challenges. The proposal included an updated integrated SAP HR platform for EMEA (SAP 4.6C) and four options.<sup>19</sup>

### 6.2.2 Choosing a suitable model

The new SAP HR platform was the technological base that helped to drive standardization across the 28 countries of the region<sup>20</sup>. Furthermore the multinational has the critical size to centralize process delivery and achieve cost savings. The proposal of the project team included the following options:<sup>21</sup>

**Option 1, the portfolio approach:** Each unit has a devolved HR function and can decide how to run its HR services. In this model different processes would be tolerated, or even encouraged. This model is clearly decentralized and allows flexibility for all organizations.

**Option 2, the common processes and technology approach:** Common policies and practice standards are adopted in all business units across the region. There is a corporate HR function involved in policy design and practice coordination. HR service delivery is largely based at site level. This model is a mix of a centralized corporate HR function and a decentralized delivery with standardized process.

**Option 3, the shared services approach:** Countries and business units share a common approach for HR processes, with service delivery from one or more SSCs

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17 *ibid.*

18 DUPONT. RORIVE, Dominique. *op. cit.* p. 27

19 *ibid.*

20 *ibid.*

21 *ibid.*

across the region. This model has centralized and standardized processes; both together are expected to realize economy of scale.

**Option 4, the outsourcing approach:** DuPont outsources all HR services to one supplier across the region. All countries and business units share a common HR service and approach delivered by the outsourcing provider. Through this model economy of scale is created by centralizing and standardizing processes. Additionally cost savings can be achieved by outsourcing the services to an experienced vendor.

In the decision process DuPont has quickly eliminated Option 1 and Option 2. The changes are not drastic enough and seem to be only steps to reach higher economy of scale.<sup>22</sup> Option 3 and option 4 really focus on responding to both challenges identified by Tim Farrell. They allow HR to harmonize processes and reduce the time spent on administrative tasks. The geographic separation of HR tasks and the centralization of administrative processes further help in implementing a clear definition of roles and responsibilities.

In June 2001, DuPont decided to select option 3 and planned to build a SSC in Asturias, Spain. In April 2002 the center called “CallHR” went live for the first country. By July 2004 ten countries completed the transition of administrative services to the SSC,<sup>23</sup> and by the end of 2005 DuPont decides to outsource the SSC to Convergys. Convergys is one of the global leaders in providing HR Services, the Cincinnati headquartered company creates revenues of \$ 2.5 billion<sup>24</sup>.

### 6.2.3 Three phases of HR Transformation

The implementation of the new model meant a significant change in DuPonts HR activities and the way they were delivered. The Transformation of the HR delivery model happened in three phases:

**Phase 1: Implementation of an IT platform:** This phase already happened partially between 1997 and 2000, when DuPont moved from 28 different HR IT systems to one single SAP based platform. In a first step the various sites and countries across Europe were harmonized to SAP 3.1i and in a second step the system was upgraded to SAP 4.6C as part of the transformation. According to Dominique Rorive, Human Resources

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<sup>22</sup> BENNINGER, Marc. *Le passage d'une multinationale en mode « Shared Services »*. HR Today.. June 2006, vol. 6, p. 18, 19

<sup>23</sup> DUPONT. RORIVE, Dominique. *op. cit.* p. 27

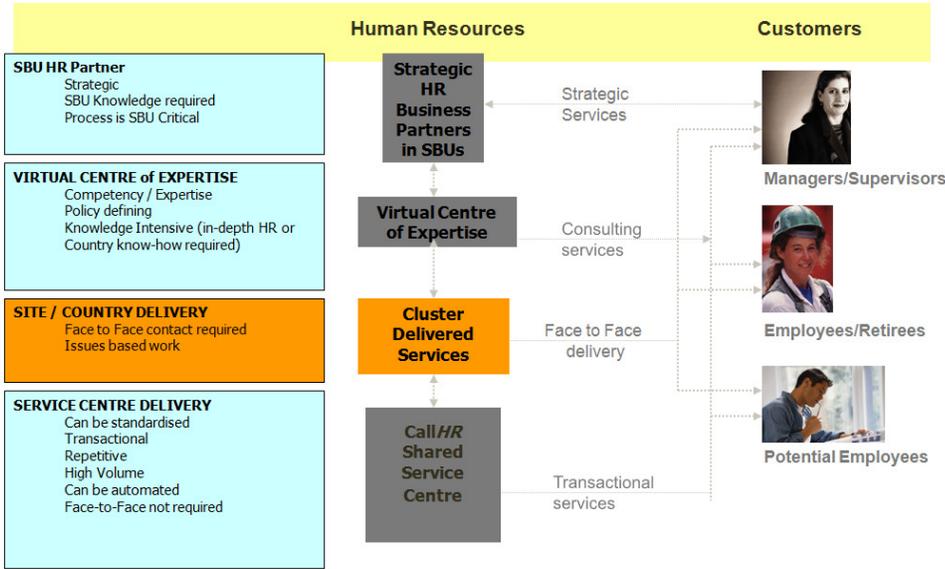
<sup>24</sup> *ibid.*

Director at DuPont Switzerland, this investment was necessary to accelerate and succeed in the transition.<sup>25</sup>

**Phase 2: Implementation of an HR SSC in Europe:** Once the IT system was ready, the implementation of the HR SSC could start. DuPont chose to near-shore the center to the north of Spain rather than to opt for an offshore location that may have increased cost savings, but would have created risks in customer satisfaction due to the time difference. The center was created in Asturias because DuPont held there already a site for production and finance. The people cost in Asturias are already significantly lower than in central Europe and therefore people cost could be reduced (NB: Spanish average salary: EUR 19'700 per year<sup>26</sup>).

This phase included as well the definition of HR roles and where their delivery should be located. The below model describes how the tasks are distributed along the model and how the administrative part, the transactional services, were selected to move to the SSC:

**Figure 5**  
**Criteria for “what goes where?”**



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Source: DuPont HR Model presentation slide 12

<sup>25</sup> BENNINGER, Marc. *Le passage d'une multinationale en mode « Shared Services »*. op.cit. p. 29

<sup>26</sup> HOFER, Simone. *Preise und Löhne*. Zurich: UBS AG, Wealth Management Research, 2006. 52 p.

In the center of the new model are four clusters, defining the different roles within the HR function. These clusters define the competences needed to deliver the specific tasks of the role:

In cluster 1, the **Strategic HR Business Partner** focuses on the HR strategy of the business of each of DuPont's Strategic Business Units (SBU). The service is mainly oriented towards managers and executives of the business units. These HR Professionals have specific HR expertise that is critical to the business unit.

Cluster 2, the **Virtual Centre of Expertise** includes the roles that require competences and expertise for designing HR policies. HR Professionals working in this virtual center are based all over Europe. They are acting as internal consultants, analyzing the specific needs of each of the countries they are managing.

Cluster 3 includes the **Delivered Services** located in each of the sites of DuPont in all of the countries. It focuses on individual case management including all service areas where face-to-face meetings are important.

And finally cluster 4 includes **CallHR**. All transactional services that can be standardized across the company are consolidated in this SSC. It delivers day-to-day HR support to employees and managers. The SSC supports the following HR activities<sup>27</sup>:

- Recruitment
- Leavers
- Compensation & Benefits
- Transferee Management
- Payroll / -Accounting
- Learning Services
- Data Maintenance
- Employee enquiries

These tasks have a high volume of transactions and do not need any face-to-face contact. DuPont recruited talents all over Europe in order to be able to deliver in the six different languages used in the different sites across the region.

**Phase 3: HR Outsourcing to Convergys:** DuPont quickly realized that running a SSC is not core to its business. In the fall of 2004 the company tested 16 providers of

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<sup>27</sup> DUPONT. RORIVE, Dominique. *op. cit.* p. 27

the HR outsourcing marketplace to find out which one of them offered people with the skills and capabilities to provide the services from Asturias. DuPont announced in November 2005 having contracted Convergys for managing its SSCs. The Cincinnati based Company is active in 40 countries. DuPont has identified Convergys as the best partner for further transforming its HR function. The HRO provider already served multinational clients such as Yahoo and Office Depot. The contract between Convergys and DuPont has revenue of \$ 1.1 billion over 13 years; at the time, the largest HRO contract ever<sup>28</sup>. The key factors that drove the decision to outsource were leveraging the knowledge of an experienced provider who has worked with multinationals and reducing the execution risks.<sup>29</sup>

The scope of services delivered by Convergys include DuPont's Global HR transactional services for 60'000 employees and 102'000 retirees in 70 countries and in 30 languages. The following activities have been taken over by Convergys:<sup>30</sup>

- Organization & Employee Development
- Workforce Planning & Deployment
- Compensation Management
- Benefits Administration
- Payroll
- Integrated Health Services
- Recruiting
- Employee & Labor Relations
- Performance Management
- Employee Data Management
- Vendor Management
- HR consultative services

#### **6.2.4 Effective Change Management**

Clearly, the outsourcing deal is just one component of DuPont's HR transformation. Throughout the 3 phases DuPont had to manage as well the human aspects of the Transformation.

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<sup>28</sup> WORKFORCE MANAGEMENT, January 30, 2006 edition, Detroit, Michigan, U.S.A.: Crain Communications, Inc.

<sup>29</sup> HR MANAGEMENT. *HR Management Article: Beyond HR transformation* [online]. April 2006. <http://www.hrmreport.com/pastissue/article.asp?art=26488&issue=160> (visited on July 14, 2008)

<sup>30</sup> DUPONT. RORIVE, Dominique. *op. cit.* p. 27

To ensure that HR professionals were updated regularly, DuPont involved HR leaders from the beginning of the initiative. It was important to get their support in order to further communicate the steps within the HR community and across the company. Updates and town hall meetings were followed by surveys to measure the level of understanding.

One of the main challenges faced by DuPont was that employees wanted to know how the change would affect their jobs. In such a major transition, companies are not always in a position to answer these questions, not for strategic reasons but simply because they don't know. DuPont's approach during the transformation was to be as honest as possible: When they didn't know, they did not hesitate to say "we just don't know right now". Employees among the company appreciated this frankness.<sup>31</sup>

### **6.3 Challenges in the current situation (July 2007)**

With the new HR Delivery Model DuPont was able to reduce costs at the administrative level through standardization and migration of a SSC to a lower cost territory. By using up-to-date technology DuPont is now able to utilize information from its Data Management system to take decisions. Finally the new HR model helped to clearly define roles and responsibilities among HR Professionals. DuPont's HR function became more professional and the individual HR Professionals can now focus on their priorities and tasks, whether it is administrative, employee oriented or strategic.

In this chapter the situation and challenges two years after outsourcing are described based on an interview with Roger Gambart, European Head of Compensation and Benefits.

#### **6.3.1 Customer relation**

As of the moment the service center was sold, DuPont had a customer relationship program called Service Delivery Team (SDT). This team manages the relation between HR and Convergys, contract interpretation and anything that has an impact on Convergys' operations. The SDT interacts in escalations and root cause analysis as well as forecasting.

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<sup>31</sup> HR MANAGEMENT. *HR Management Article: Beyond HR transformation* [online]. *op. cit.* p. 32

### **6.3.2 Customization**

The relation between HR and the SBUs are fairly homogeneous across the company. In general a policy is the same for everyone. They call it OneDuPont.

There is an exception process in case a business unit or a country cannot implement a standard process for legal reasons or because of specific business needs. In a case by case approach the exceptions are then approved by the Global CoE. This central approval system helps the CoE to implement better processes in the future, respecting all legal or business needs. Individual exceptions exist mostly in Expatriate Management since it is a sensitive, individual focused process. Currently neither people nor the process are ready for standardization.

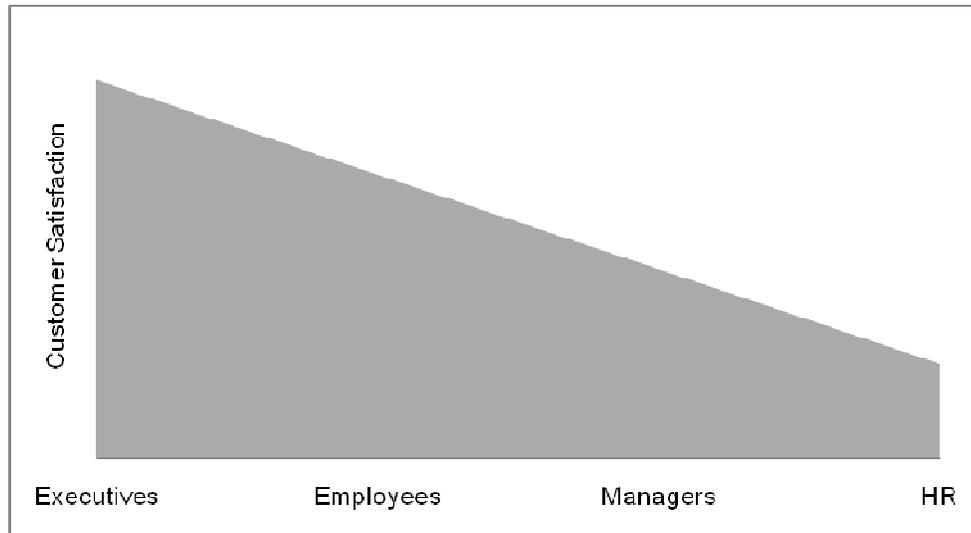
### **6.3.3 Customer dissatisfaction**

According to Roger Gambart, the model that DuPont chose to implement can be compared to a Cafeteria Model. One of the main reasons for customer dissatisfaction is that the customer always expects more for less. In other words, he expects to receive Room Service for the price of a cafeteria. Consequently s/he is then dissatisfied when perceiving a reduced personal approach when ordering in the cafeteria.

Convergys runs quarterly surveys to measure satisfaction amongst its customer DuPont. Some of the customers are happy about the changes. As a consequence of the new model, Managers and employees are held accountable for areas formerly owned by HR Managers. Some of them are passionate about what they can do when managing their people and consulting them on their career. However since it means more effort for Managers and Executives, some of them are less satisfied because they feel it is now them doing HR's job. In the new model, DuPont maintains its Executive HR Department and as a result Executives are excluded from the new model.

For Roger Gambart it is clear: "The least satisfied are always HR!" They seem to be more sensitive to the subject and fear from the impact on their jobs. The most satisfied are Executives followed by employees and then Managers.

**Figure 6**  
**Customer Satisfaction across company levels**



Source: recapitulation of above

These differences of the levels of satisfaction across company levels are repeatedly appearing in the surveys. One of the reasons for the low satisfaction level across HR is, according to Roger Gambart, “that they like “room service” models and outsourcing makes “room service” less necessary and encourages “self service”. Obviously, there is a tangible difference in the service delivery model and some HR employees can’t identify with this change.”

On the customer’s side, the satisfaction level is affected by the fact that in the old model the customer felt that s/he buys a product from a single person, the HR Manager. However, today this same product is produced by a complex organism. For example in recruitment, the customer wants to see the final product – the candidate – and is not interested in the production process. Since the process is today broken down to different services provided by different units, he needs to understand a bit more of the production process and may even interfere at different points.

#### **6.3.4 End-to-end process understanding**

In the new model, the HR Business Partner (HRBP) has a role of integration. S/he compiles all HR processes. Today, the HRBP has not sufficient knowledge of the end-

to-end process to completely fulfill this role. According to Roger Gambart, HRBP often show a “throw it over the wall” behavior, saying “not my problem, but someone else’s”.

In order to ensure a better end-to-end process understanding among the HRBP community DuPont deems it important that HRBP have either design or delivery experience before they enter their role as a Business Partner. Therefore, before Outsourcing the SSCs, junior HR Professionals usually spent a couple of months in a service center. Today it is recommended that they have first a CoE assignment. The CoE gives HR Professionals an exposure to processes and how things work behind the stage from a technical and process point of view. In the future this will become a challenge as says Roger Gambart: “As more companies think about HRO, it will become an interesting paradigm to fill senior HR roles from within the company, because per definition, in an outsourced HR environment, there is no possibility to gain experience with delivery and the design experiences are limited as well.”

As mentioned previously the customer also needs to have more end-to-end process understanding, in a self-service environment s/he needs to know where s/he needs to interfere, however this often leads to dissatisfaction. Roger Gambart takes again the example of recruiting when saying that the customer “is interested in hiring someone, not in learning why something went wrong in a section of the HR machine.” The individual process owner could do a better job by smoother pushing transactions through the different process steps. HR Workflows could support on this, nevertheless they often result in less end-to-end process understanding.

### **6.3.5 Centralization**

In practice the problematic about power and authority is not as clear as outlined by Ulrich. Often the upper Management takes the decision to initiate the transformation and in most companies there is not much way for anybody to challenge decisions taken at that level. At DuPont, the standardization and harmonization was initially requested by the business, however, according to Roger Gambart, HR did not involve the business during the design phase.

When individuals have high company seniority and sit in their “chairs” already for a long time, they have less ability for change and may even refuse it. If there is not sufficient vertical communication, there is further room for conflicts based on the game around power.

### **6.3.6 Offshoring**

The reason why DuPont chose to near-shore its European SSC to Asturias is that they already had an established center there with strong relations to the Government and a business development agreement. In order to leverage operations in Asturias they have also created other SSCs for Finance and for IT. Anyhow, questioning the geographic proximity may be mistaken: a trip from Geneva to the SSC takes about 8 hours.

### **6.3.7 Outsourcing**

Outsourcing the SSCs meant for DuPont to be able to shift to more strategic tasks in HR. According to Roger Gambart DuPont is only concerned about the result: the delivered service: “We only watch the result. We’re paying them for producing it.” On the other hand, HR needed to learn to have a commercial relationship for HR tasks. For example Convergys expected all existing processes to be written in English before they have taken over them. Even though at DuPont most of the processes were written in the language of the country they belonged to.

When DuPont operated the SSC, the scope of services delivered was smaller than after it got outsourced to Convergys. The contract foresees an increase of scope within the 13 years of its validity. On DuPont’s side, the responsibility for the commercial relationship is today part of the role of the SDT.

Over the time, DuPont realized that Convergys is not an HR expert. They are experts in managing a contractual outsourcing relationship and not necessarily managing an HR service delivery organization at a global scale. For the outsourcer the focus is not on the impact of the process, but on the design of a streamlined, efficient one. Typically this means that an outsourcer would not invest in understanding the impact of its processes. Roger Gambart says “they do what the contract tells them to and everything else is at an additional cost”. As a result, the SSC agents become process owners and consequently not HR Professionals, they move away from the focus of resolving the HR specific issues. Therefore, cluster 3 which was focused on face-to-face delivery of certain areas is an approach that improves service level perception.

With the 3<sup>rd</sup> step, DuPont outsourced all delivered services to Convergys and today all of them, including cluster 3, are delivered from the SSC in Asturias.

For measuring the performance of Convergys, DuPont and Convergys have SLA agreements. SLA and process errors have targets and by achieving them, Convergys receives the full fee for the service. For example the SLA score for Payroll and Salary

Planning is targeted at 99.8% (DuPont's last score before outsourcing the service). Today, the score is at 96%. Since Convergys is paid based on the number of transactions and SLA results, they are currently suffering financial penalties for being below the Service Level Agreement. On the totality of the contract Convergys is still not profitable, mainly because SLA's do not achieve the given targets.

### **6.3.8 Transformation**

Since the redesign of its HR function, the way DuPont manages its employee has drastically changed: Before, employees were taken care of by HR (Room Service Model). In the new model, employees are held responsible for their own careers and work life.

According to Roger Gambart, there was a limited focus on change management. In fact, DuPont's employees and HR Professionals do not see the benefits that the change brings.

The culture of the company is changing with the transformation. Currently, since DuPont is still in the transition, there is a lot of anxiety towards the change. As the European Headquarters, DuPont in Switzerland has a large population of senior employees. The average age is 45 and seniority is averaged at 15 years, as Roger Gambart explains. Fact is that such a senior population is not used to the fundamental changes that HR Transformation brings. This makes them feel uncertain about how their professional future looks like.

When implementing the new HR Model the HRBP actually changed into a direction that DuPont did not expect: instead of becoming a consultant overseeing all HR processes they tried to avoid giving support for transactional processes, saying "no, this is not my job".

Talking about individuals Roger Gambart explains that "HR does not like this transformation". When transforming an HR Manager to an HRBP, the HR Professional mainly needs to change her/his attitude. S/he changes from a generalist role to a Strategic Business Partner, consulting the business in all HR matters. A consultant's job is to analyze the situation and the needs of the customers and come up with an appropriate solution. According to Roger Gambart, the HRBP at DuPont did not yet learn to focus on the needs. It might be a generational issue, he says, since the senior HRBP expect to be involved automatically and do not strive for understanding the proper needs. The behavior of senior HRBP shows some of the attributes of baby-boomers: they have grown up and evolved with the HR function. As a result they react

with protection and act as conservators of the old models. So, while everything has changed with the new model, the HR Manager has a new job title, but acts in the same way than before. According to Roger Gambart, the HRBP needs to change her/his attitude and become more a Professional Integrator.

The HR Professional has gone through a change of identity because of the change of the role. The change of their jobs has changed the way they feel about themselves. Some HR Professionals at DuPont can't identify with their new status.

Roger Gambart sums up, saying that the transformation would have needed to be smoother and slower, following a step by step approach. "Transition periods need to be short, but no theory forces to transfer all processes at once. By gradual I mean not everything in one fell swoop."

### **6.3.9 Cost efficiency**

Unfortunately, the information at hand is not sufficient to cover this topic sufficiently. DuPont was most certainly able to reduce costs due to offshoring and outsourcing. However the costs created by the new structure, notably the SDT and the time that line managers and employees dedicate to HR work, be it efficient or not, remain dark figures

## **6.4 Analysis and Summary of DuPont's current situation**

The above mentioned points can be summarized in the below table of strengths and weaknesses:

**Figure 7**  
**Strengths and Weaknesses of the DuPont HR model**

Strengths	Weaknesses
reduced cost specialized process delivery clearer defined roles up to date HRIT customer relations program strong exception process involving CoE strict standardization across units and countries European culture in the SSC in Asturias	self service is perceived as more work by managers HR can't identify with transformation and fear need for understanding end-to-end processes customer service survey done by Convergys some services that cannot be standardized yet are already outsourced Senior population has less ability to change and may even refuse defined increase of an already large scope in the contract Missing HR expertise of Convergys 3 <sup>rd</sup> cluster delivered from SSC "Room Service" expectations

Source: recapitulation of above

Even though the weaknesses outnumber the strengths, the strengths should not be underestimated. The environment of outsourced HR causes an ongoing trend to process improvements and standardization, to increase consistency across the company and to help DuPont to truly become OneDuPont. The basic concept of the model is strong in its design, however the implementation went too fast considering the company's culture. A number of issues occurred because they were not anticipated when planning the Transformation.

Considering the areas of influence in an outsourced environment, the weaknesses can be captured in 3 key issues

- Ability for change
- Service quality
- Process understanding

Taking again the four generic main goals of HR Transformation it can clearly be identified that the number one issue is ability for change, which is embedded in the company's culture. The secondary issue is the service quality delivered. In general, people get more sensitive during a transition and as a result they tend to complain more. The way people express their complaints is also linked to the company's culture.

Both issues are often moderated by pointing to the transition phase, however this response is very simplistic and avoids discussion and learnings related to the origin of the problem, inadequately managed communication and transition. The consequence is dissatisfaction that may even result into turnover.

The last issue, process understanding, is a long term issue. Compared to the first two, it can't be neglected since it would become more and more severe over the time. It needs to be tackled from the beginning of the transition.

**Table 12**  
**Goals, Methods and Challenges of DuPont's HR Transformation**

Goal	Methods	Challenge
Shift from administration to strategy	The distribution of tasks allows HR Professionals to focus on their priorities and tasks where they add value to their customers.	HR does not identify with the change Service quality is not fully assured where needed
Streamlining technology and data management	Implementation of SAP 4.6C helped to simplify, standardize and automate HR processes and create interfaces to internet applications.	Managers feel they are doing HR's tasks when doing self-service. Processes do not fully work, because of lack of understanding
Managing people globally / global mobility of talent	Through the CoE DuPont designs globally aligned processes	Readiness for globalization of senior employees population
Reducing costs	Through the new organizational design head count could be reduced from 320 to 160 HR Professionals across the region plus 100 employees in the SSC. Convergys promised 20% productivity improvement at take over and 30% after 5 years. <sup>32</sup>	Consciousness of receiving a reduced service level when paying less

Source: Recapitulation of above

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<sup>32</sup> BENNINGER, Marc. *Le passage d'une multinationale en mode « Shared Services »*. op. cit. p. 29

## **6.5 Recommendations**

In order to overcome the three key issues of DuPont this chapter first deeply analyzes them by breaking them down into areas of improvement before proposing a set of actions. The analysis and propositions are based on the limited awareness of the current situation of DuPont in Switzerland. Some of them might already be implemented.

### **Key issue 1: Ability to change**

Throughout all nine main challenges identified at the beginning of the second part of this thesis DuPont has a main weakness in ability to change, it would be too easy to blame only Change Management for this, although it is certainly part of it: Employees across functions and levels seem not sufficiently aligned to the transformation goals and do not understand where the change leads to and why.

**Area of improvement 1, the HR function:** While a lot of things changed in the new model, the original HR Manager merely changed his job title to HRBP but did not change in the expected direction. HR needs to get aligned to the transformation goals in order to perform the role Ulrich named as Change Agent. The function needs a Change Agent for itself to become able to identify and develop with the change. Together with the below actions this will make it possible that the HRBP can acquire the capabilities and attitude needed for the role as well as to improve HR's perception across the business.

**Table 13**

**Actions to improve ability to change across the HR function**

<b>Action</b>	<b>Purpose</b>	<b>Target</b>	<b>Channels</b>	<b>Examples</b>
Creating Business knowledge	Understanding DuPonts business and market and the HR needs of the customer	HR Professionals	Training on skills and attitude	Training on business knowledge for HR Training on HR Diagnosis with case studies
Becoming a change agent	Enable HR to become a change agent through its own experience	HRBP	Workshops and trainings	Workshops on HR's experience during HR Transformation Trainings on becoming a Change Agent
Defining a new career path to become an HRBP	Career path with defined roles and skill levels	Current and future HR Professionals	E-learning, training, coaching, mentoring	Define roles and skills required per level Enable to specific trainings for each role and level Diversify routes to get to the top of HR eg. Vertical, zig zag, parachute <sup>33</sup>
HR workforce planning and execution	Continuity and enabling juniors to learn from seniors and vice versa.	Current and future HR Professionals	Recruiting, utilization of career path, mentoring	On the job training of juniors (seniors learn from juniors attitudes and technical capabilities)
Cross functional Mentoring	Help Senior HRBP acquire the business skills of a Business Partner and consultant	HRBP	Cross functional Mentoring	Senior Managers, HR consultants and CoE Managers become Mentors for senior HRBP

Source: Personal source of information

**Area of improvement 2, Employees across the company:** When looking back to the Ulrich Model, it appears that DuPont's HRBP does not have a particular focus on the two of the roles: Change Agent and Employee Champion. The actions on improving the competences needed for the Change Agent role are already included in the area of improvement 1. However in a self-service environment, the employee's image of the company becomes more and more reduced to the behavior of the direct line manager.

<sup>33</sup> HUNTER, Ian, SAUNDERS, Jane, BOROUGHS, Allan and CONSTANCE, Simon. *HR Business Partners. op. cit.* p. 7

Therefore it becomes even more important to integrate the Employee Champion role to ensure that employees interact with different people and feel part of the corporation and not simply a subordinate of their Manager. A broader exposure within the company also enables employees to understand the changes that the company makes and where they lead to. The Employee Champion role also gives employees (including HR Professionals) a place to express themselves and to feel being part of the corporation, while keeping ownership in their own area.

**Table 14**  
**Actions to improve ability to change across employees**

<b>Action</b>	<b>Purpose</b>	<b>Target</b>	<b>Channels</b>	<b>Examples</b>
Training HRBP on Employee Champion role	Re-focus HRBP on employees and participation of employees in change management	HRBP, Employees	HRBP, feedbacks, newsletters, campaigns	Regular face-to-face meetings between HRBP and employees Management feedback (eg 360 degree feedback) Campaigns and employee jams
Providing resources for effective career planning	As a result of the model employees become more responsible of their carrier. The action enables them to take ownership.	Employees	Intranet, e-learning, workshops	Guidance on personal development, career paths and skills. Web based skills assessment and personal development
Training HRBP and Managers on people management				See above table

Source: Personal source of information

**Area of improvement 3, Managers across the company:** At DuPont some Managers do not like the fact that they need to do more HR work in terms of managing their employees. They need to build up passion and capability for people management. On the other hand people management skills need to become a criterion for management promotion with responsibility over employees. Also they need to become more sensitive about their employees need.

**Table 15**

**Actions to improve ability to change across Managers**

<b>Action</b>	<b>Purpose</b>	<b>Target</b>	<b>Channels</b>	<b>Examples</b>
Providing resources for effective people management	As a result of the model people management was entirely shifted to Managers. They need to find supportive information to resolve people issues	Managers	Intranet, e-learning, workshops	Guidance on personal development and people management Web based tools and forums
Training HRBP and Managers on psychology of employees	Enable effective people management by driving awareness on how to manage different types of employees	HRBP, Managers	Trainings, Coaching, Mentoring	Trainings on people management and personality profiles (eg Myers Briggs, or the profile of the Knowledge Worker)

Source: Personal source of information

**Key issue 2: Service Quality**

A major problem in outsourcing and actually in any transformation is the expectations towards the level of services. Thus, in any transition people get more sensitive and tend to complain about things they wouldn't have complained about in the past. Again, it would be too easy to let employees just get used to the new facts, but the transition needs to be properly managed. General education about the service model would clearly drive general understanding and therefore expectations.

**Area of improvement 1, Transition Management:** Of course it is not possible to go back and change how the transition was handled, nevertheless, in view of future scope changes, it is necessary to learn from past transitions and break them down into smaller changes and shorten the transition periods. Communication also needs to be well prepared in advance and changes need to be implemented quickly after the announcements. Employees need to have a way to express themselves and need to be integrated in the change to become aligned to decisions and to feel ownership in the change as far as possible.

**Table 16**  
**Actions to improve Transition Management**

<b>Action</b>	<b>Purpose</b>	<b>Target</b>	<b>Channels</b>	<b>Examples</b>
Educate HRBP about change management	Improve transition management through the Change Agent role	HRBP		See action Becoming a change agent in above table XX
Enable employees to express themselves	Integrate them in the change	All employees	HRBP, Intranet, anonymous mailbox	Training HRBP on Employee Champion role Anonymous letterbox or feedback session during town hall meetings
Communication quality before changes	Align employees to the change	All employees	Email intranet, town hall meetings, face-to-face	Explain why changes occur and why they are needed. Describe the options and why the decision was taken Explain impact to individuals
Break down future scope changes	Enable learning and make transitions easier	SDT	Change plan	Migrating only one service or process at a time

Source: Personal source of information

**Area of improvement 2, Service Quality:** Perception and actual service quality is an often cited issue. The perception of bad service quality is often not justified since expectations simply grow in the transition period. The SDT, Convergys and HR need to be aware and manage the expectations to effectively tackle this issue.

**Table 17**  
**Actions to improve Service Quality**

<b>Action</b>	<b>Purpose</b>	<b>Target</b>	<b>Channels</b>	<b>Examples</b>
Create joint team for SLA measurements and surveys	Ensure objectiveness of SLA measurements currently owned by Convergys	SSC	Surveys	SDT and Convergys appointed team that is in charge of creating and delivering SLA surveys that help improve services
Identifying improvement areas as a result of SLAs	Improve service areas where needed and show improvements to employees	SSC	Process re-engineering, interfaces (eHR), communication	Survey on satisfaction concerning processes and level of service Request and agree to service level improvements if needed Report improvements in Newsletters
Appoint personal contact points for sensitive service areas	Ensure service quality where needed (eg. Recruiting, onboarding, pensions, relocation)	All employees	SPOCs (Single Point of Contact), or face-to-face delivery team	Create a local delivery team Define SPOCs across HRBP that can acquire the needed knowledge and have time to support individuals
Explain change of services	Explain reasons for change and eventual reduction of service quality	All employees	Email, intranet, newsletters	Explain service quality reduction if for example not strategic or no impact to the business
Agree on talent development and skills control at Convergys	Ensure Convergys has the talents and skills needed to deliver HR services	Convergys's service owners	SDT, Convergys	Addendum in the contract regarding announcements of internal changes Share skills database of Service Owners

Source: Personal source of information

### **Key issue 3: Process Understanding**

End-to-end process understanding was often cited as one of the main challenges of DuPont's current situation. Since different process steps are today delivered by different units, an appropriate end-to-end process understanding is important for employees, managers, HR Professionals and service owners in case they need to

interfere when the process is stuck. This does not mean that they need to understand how the process works in details, however they need to understand how services are delivered.

**Area of improvement 1, HRBP:** Currently DuPont's HRBP do not accept yet that understanding the processes is part of their job. However, if a payroll issue occurs in a unit for example, it is part of HR's job to at least support the Manager in resolving the issue. The HRBP therefore needs to change her/his attitude towards these kind of issues. As a consultant in the people aspects of the business, the HRBP needs to be the intermediary who compiles HR processes and should act as a professional integrator for all HR processes.

**Table 18**  
**Actions to improve Process Understanding of the HRBP**

Action	Purpose	Target	Channels	Examples
Hold country operational meetings for HRBP	Change HRBP's attitude and interest towards processes	HRBP	Meeting	Monthly meetings where updates are shared and issues from different Business Units are discussed
Create an SSC newsletter only designated for HRBP	Create awareness about what services and how they are delivered from the SSC	HR Professionals	Newsletter (email)	Quarterly newsletters with the latest changes from a process, legal or benefit point of view
Training HRBP for specific processes	Drive process understanding across HRBP	HRBP	E-learning, training	Occasional training designated for HRBP HR activities (eg. C&B) are not only explained from an organizational, strategic but also operational, /process point of view

Source: Personal source of information

**Area of improvement 2, Customers across the company:** In the new model of DuPont, the customer holds responsibility for some or part of the HR processes. It is therefore necessary that he has a minimum of understanding of the end-to-end process. For example if a process sticks because there is an electronic request or approval is missing, it is only the direct line manager that can make the process work again. S/he needs to learn that s/he has responsibility there.

**Table 19****Actions to improve Process Understanding of the Customer**

<b>Action</b>	<b>Purpose</b>	<b>Target</b>	<b>Channels</b>	<b>Examples</b>
Automated email reminder or calendar entry	Remind customer of her/his responsibility	Customer	Email, instant messages	Emails sent if a request or approval is missing
Integrate end-to-end process description in all processes	Educate customer about end-to-end process and where s/he needs to act	Customer	Intranet, Guides, People management trainings	Short graphical description of end to end process in intranet or on electronic requests
Short “did you know” messages	Create awareness of the easiness of process steps for Customers	Customers	Email	“Did you know that you can now promote your employee with a simple eform on MyInfo? Click here to learn more”

Source: Personal source of information

## 7. The HR Models of IBM, Procter & Gamble (P&G), DuPont and UBS

As stated at the beginning of the second part, a significant number of global companies have adapted at least partly the Ulrich model. This chapter takes a look at three other companies in different industries who all have adapted the model in their own way. All of them have opted for a single vendor approach and not for a consortium approach. Finally, three companies IBM, P&G and UBS are then together compared to DuPont in a summarizing table in chapter 7.4

### **7.1 IBM's Integrated Managed Business Process Delivery (IMBPD)**

The observations described in this chapter are based on my own experiences as a Benefits Professional in the IMBPD environment.

IBM is a US based IT, services and consulting company, employing 386'558 employees worldwide. In 2007 the company generated revenues of \$ 98.8 billion.<sup>34</sup>

#### **IBM's HR Transformation**

IBM started to develop its HR Delivery organization in 2003, at that time the organization was called Business Transformation Outsourcing (BTO). SSCs existed already since 2000 and in some regions even earlier. The decision to split HR and build up a dedicated HR delivery organization was taken on top management level and was driven by HR. It became effective in January 2004. This was also driven by other global leaders (for Finance, CRM and Procurement), who wanted to transform their business support functions into delivery organizations since they do not generate revenue. Another factor in the design of delivery organizations was globalization, respectively the development of the emerging markets (Eastern Europe, India and China). Today IBM fully utilizes all these factors within its service structure around the globe. For example in India the IBM staff jumped from 9'000 to 75'000 in four years until the beginning of 2008 (not counting any subcontractors)<sup>35</sup>. In 2003, services were already

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<sup>34</sup> IBM About IBM. United States [online]. <http://www.ibm.com/ibm/us/en/> (visited on July 14, 2008)

<sup>35</sup> BusinessWeek, January 28, 2008 edition, New York, U.S.A.: The McGraw-Hill Companies, Inc., page 38

a significant part of IBM's core business and they wanted to further develop Business Process Outsourcing in all four areas cited above and sell the services to other companies. With the Procter & Gamble deal in autumn 2003, IBM signed the first HRO deal of a global scale. As of January 2004, IBM's internal HR delivery was outsourced to IBM BTO (later called IMBPD). The internal delivery solution was also used as a "show case" for potential customers.

### **Transition**

As a main difference to other companies IBM's HR delivery is still mostly seen as part of HR. This applies especially in Switzerland, where the delivery team is located in the same office than the corporate HR team. A smaller team is located in Budapest (called AskHR) and in other SSCs. CoEs are distributed around the globe. Usually with location free jobs employees in these roles can freely choose out of what country they want to perform their role. This is a typical asset of IBMs culture.

The IBM culture is very much focused on self-sufficiency: In a well structured intranet, there are thousands of e-learning courses available as well as career guidance and other helpful tips to enable employees to be self-sufficient. Also web applications are used for setting personal business and development goals, as well as for skills assessments and internal and external recruiting. In general, the self-service culture is very well accepted across the company.

In the reality of increasing workload of managers and employees, individuals often look for support and try to approach their IMBPD contacts. Interesting is that IBM HR as well was the function that had most difficulties in accepting the changes. In their view, they still have a very employee focused job. This is also linked to the rather senior Managers across IBM's HR organization. They identify very much with the local IBM culture and did not yet adapt to the Globally Integrated Enterprise as the Company's CEO, Sam Palmisano, calls it. Such employees often have an issue with globalization and think they're getting behind locally because of the transformation.

### **Standardization**

Processes are largely standardized across the 386'558 employees company. Global organization design and processes have to be followed as long as local legal requirements are met. There are some exceptions in compensation for sales units, who are commissioned on top of their basic salary. Some processes are not yet centralized globally since there is not yet a single IT platform for payroll delivery across all

countries. Therefore a centralization of payroll does not yet make sense. Anyhow, the goal of IBM is to implement common systems wherever possible.

### **Customer Relation**

IBM also has a customer relation program for its internal outsourcing: There exists a worldwide and a region wide (GEO) contract between IMBPD and IBM HR as the customer. There are no country specific contracts in place, but scope of work only. Each GEO named a contract owner on the customer's side, who is responsible for the relationship, tracking and measurements reviews. In fact, there are dedicated measurements defined for the most important processes. Reviews of measurements are held on a monthly basis on top management level, including the worldwide contract owner.

The IMBPD employees are named HR Delivery Professionals. Their job descriptions were designed for dedicated delivery responsibilities. Since IMBPD is part of IBM there is also a skills exchange programs in place to ensure identifying top talents and developing them across departments

### **HR Partners**

Within IBM, HR Managers are called HR Partners. They are working closely with line management and executives to address business issues related to workforce development and productivity. They work with other HR functions for areas like compensation, benefits and workforce diversity.

## **7.2 P&G's Global HR Delivery Model with delivered services by IMBPD**

The below description is based on interviews with Luigi Pierleoni , HR Vendor and Customer Relationship Manager, Procter & Gamble and Sarge Carlson, former Local Employee Services Leader Switzerland and Global Process Owner for Salary Planning, as well as my own observations through my role in IMBPD.

P&G is a US based consumer products multinational employing 138'000 employees worldwide. In 2007 the company generated revenues of \$ 76.4 billion.<sup>36</sup>

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<sup>36</sup> PG.com. Who We Are [online] [http://www.pg.com/company/who\\_we\\_are/index.shtml](http://www.pg.com/company/who_we_are/index.shtml) (visited on July 14, 2008)

## **P&G's HR Transformation**

P&G has introduced the Ulrich model already in the mid nineties. In the last 15 years P&G was growing fundamentally through internal and external growth. They arrived at a point where their HR operations needed to become more efficient. In 1998 P&G came up with the concept of centralization of business support functions in a newly created Unit called Global Business Services (GBS). Although it was the norm to be decentralized at that time, P&G already realized that things can be done more efficiently when organized centrally while still respecting that some of the tasks needed to be done locally.

The initial goals were to save money through efficiencies and standard processes. In 1999 P&G decided to migrate part of its EMEA HR activities, called Employee Services (ES), to a SSC in Newcastle (UK). The migration was finalized in 2002. P&G kept a service delivery team (ES) in all major locations. These teams deal with local benefits and administration as well as with some areas of employee relocation. P&G considers recruiting as strategic to the business, therefore this process is entirely owned by P&G.

The migration of services to Newcastle was considered the first step of the transformation to the current model. The second step was outsourcing ES to IBM. At some point P&G realized that given its size, options for further economies of scale were limited. They could have either started to sell the service to another company or spin off and merge the new organization with another company. As per the company's CEO, A.G. Lafley, both options are not core to P&G's businesses and efforts should be concentrated in the business strategy rather than on non core activities. At the time P&G completed the migration, the outsourcing marketplace was not mature yet and the service providers did not have the necessary expertise in the outsourcing business. When looking for the best partner in 2003 it was important for P&G to find a company fit with a provider that would have similar values also because they were going to take over P&G employees. It will be the task of this new provider to decrease their cost and increase productivity as well as decide on the number of SSCs they wanted to operate. After a five-month evaluation process that included IBM, Accenture, HP, EDS and Convergys, the \$ 400 million deal with IBM lasting for 10 years was signed in September 2003. IBM took over the ES organization including the SSCs in Costa Rica, UK and the Philippines. Initially, P&G wanted to outsource all areas of their Global Business Services (GBS) unit (HR, IT, Finance, Workplace) to a single vendor but there were no companies that were ready for this.

## **Transition**

Decisions regarding the HR Transformation were always shared immediately with all employees. Because of the company's culture, it would not have been possible to keep the initiative as a secret. P&G HR decided to inform constantly about the changes respecting people's needs. The communication was in both steps (1999 and 2003) open and transparent. As a result of HR transformation P&G expected limited turnover because they estimated that HR Professionals typically chose the kind of job they are doing and would not mind doing exactly that same job with another company.

P&G was a pioneer in this area. There were no other companies in the market to do eventual benchmark. Companies have done similar work but not at the same scale globally nor across the different areas.

## **Customer Relation**

In the beginning HR only understood tentatively that there is a need for a customer relation program. A program was finally put in place in 2006. The necessity of the program came not only because there was another company providing the service but more because of the ongoing service relationship between two partners. In practice the Client Manager supports the links between the customer and the GBS unit (for example IBM for ES or HP for IT). The customer of ES is Corporate HR, either represented by a site leader or by a business unit HR Manager. They then link with the business.

By contract, P&G is allowed to approve or deny the moving of a certain percentage of key roles defined in the contract. As well, as part of the monthly governance, IBM has to provide turnover rates, reasons and what they are doing to fix it.

But still P&G has only a reduced impact on the internal life of the outsourced organization. Instead, P&G would look for guarantees that the outsourcing partner develops its talents. As a client, P&G focuses on what they want to have delivered (the objectives and requirements) and the outsourcing provider is responsible for the "how". For example, with Salary Planning, IBM owned a standardized process which could be delivered from anywhere. In order to further reduce costs, IBM wanted to move Salary Planning to Costa Rica. Since this was more a political question they needed to wait for the right moment until the P&G customer was ready. It was key for IBM to prove that this process could be delivered well from any of the SSCs. Then IBM needed to convince P&G that it would be more efficient and cost effective to deliver the Salary Planning from low-cost centers while keeping the same level of service if not better.

## **Transforming the HR Manager to a Business Account Manager**

HR was in search of a new identity. However in the beginning the change was pushed too strong and HR has seen itself as independent from ES. The HR Manager, called Business Account Manager (BAM), should be able to represent the processes towards the customer, but because of the distant feeling towards ES they were not able to do so and have lost a lot of process knowledge. The changes had the risk of making things become extreme. As well the different roles were categorized and HR did not want to collaborate much with the SSC. The “old generation” HR Manager knew the different HR processes from their own experience with ES. Nevertheless young HR Professionals would not have personal expertise and would therefore have less knowledge of the processes – mainly an issue when there is a problem. On the other hand P&G faced a challenge in teaching the traditional HR Professional to become more strategic. It was difficult to find the balance between the old and new approaches, which was also identified as one of the major internal challenges in the whole transformation process. P&G would have wanted to avoid this winging or shifting of the HR Professional. However the HR Professional needed the time to find its place in the new organization.

Separately a lot of HR tasks were shifted to Managers and Employees. Today, they accept self-service much more as being part of the company’s culture. However, at the beginning, both the employees and the managers did not accept or support self-service as they found it to be giving work to them that they did not have before. Fortunately for HR, P&G top management enforced this from the beginning.

In general the company culture stayed the same however for P&G employees the fact that, for first time, P&G sold some of its employees to another company, made them look at P&G differently. It was now no longer a company providing 100% secured workplaces but became just like any other company. Over the time P&G has been changing. The culture has changed and as a result, the company has had to change how it manages its people. People are now more responsible for managing themselves and their careers.

### **7.3 The UBS HR Model**

The below description is based on a case study of Robert Ey, Markus Thoma and Jürg Winzenried taken from the book *Neue Geschäftsmodelle für das*

*Personalmanagement*<sup>37</sup> and an interview with Daniel Weidmann, Head of the Competence Center Operational Excellence, HR&E Global WM&BB.

UBS is a Swiss Bank with more than 83'000 employees worldwide. In Switzerland the company employs 28'000 employees.<sup>38</sup>

### **UBS's HR Transformation**

In the second half of 2003 UBS has decided to adapt a new HR model. This was a result of the worldwide standardization of the HRIT systems that created the need of standardized processes. Secondly, when comparing to the competition, UBS realized that they had to save money on their HR side. The quality of their HR services was very high in comparison with their competitors, however the costs were considerably high. A third reason why UBS decided to design a new HR model was that they identified a conflict of objectives in the activities of HR Managers, who are called CRM at UBS (Customer Relationship Manager): The line managers expected more value from their CRMs which was not possible to deliver with the volume of work that the CRM had. The objective of the new model was therefore to enable the CRM to focus on supporting the Line Management, move administrative activity away from CRM and increase competences of HR in general.

### **New roles: HR-CRM, HR Advisor and HR Assistant Advisor**

The Plan was to first implement a SSC for Recruiting only (HR-RSC) per July 2004 followed by the implementation of a second SSC for Advisory (HR-ASC). In the same time, the three channeled HR Delivery Model (HR Self Service, HR-ASC, HR-CRM) of UBS went live. UBS defined the roles and the different processes for these new roles. The three channels and mainly as well three segments (defined as roles) are the basis of the new UBS model: Employees use the channels HR-ASC and self-service, line managers use their CRM and self-service and Senior Managers and Executives use the CRM. The segmentation means that a customer with a query regarding her/his own person would correspond to the role of an employee (whether it is an Executive, Manager or employee). The customer therefore would call directly the ASC, no matter what Business Unit or what level s/he is. A customer with a query regarding an organizational or, if the question is only strategic the corresponding role is Executive.

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<sup>37</sup> OERTIG, Marcel. *Neue Geschäftsmodelle für das Personalmanagement*. Second Printing. Cologne, Germany: Luchterhand, 2007. 208 p.

<sup>38</sup> UBS. Staffing [online] <http://www.ubs.com/1/e/about/ouremployees/keyfig.html> (visited on July 14, 2008)

The role of the CRM has changed to be entirely Line Management and Executives focused, away from all operational tasks.

Two new roles were created for the ASC: the HR Advisor, who should advise employees and the role of HR Assistant Advisor, who cares about the administrative processes. By this splitting of the roles UBS defined at the same time a new HR career path.

In parallel to the ASC, UBS also operates a Special Services unit for Switzerland in areas like outplacement, retirement, health care plan and coaching programs. This structure makes it possible to have a more personalized service for the more sensitive areas.

### **Centralization**

There are three ASC locations in Switzerland: Zurich, Lausanne and Lugano. These centers serve 28'000 employees in Switzerland. The fact that there are three SSC does not impact consistency in service delivery according to UBS. For commercial reasons centralizing these locations would clearly make sense. However, UBS wanted to take over most of the employees and wanted to respect the limited mobility of individuals in Switzerland. Further centralization would therefore have caused significant turnover and as a result a loss of competences in the organization. Because of cultural differences HR would have expected as well dissatisfaction amongst the customers.

Globally the HRIT systems are centralized and harmonized. Nevertheless, processes are still local and some smaller organizations may even need other tools to run payroll for example. But all organizations need to upload the final data to the global HRIT system after.

### **Change Management**

UBS was aware of the fact that the change would have an impact on the organization and the image of the individuals' jobs. They realized that communication to HR Professionals would be a factor for the success of the transformation. Therefore UBS attached high importance to an open communication and a significant investment in professional Change Management. The Project Team then also installed regular Stakeholder meetings, Roadshows for HR Professionals, banner news and surveys to understand how individuals across the HR organization felt about the change. After implementation in September 2005, a customer survey showed 80% satisfaction about the service.

## **Measurements**

A yearly survey measures customer satisfaction across the company. SLAs exist as well, however they are only used for billing purposes. Turnover amongst employees in the ASC is below 10%, which is low for a SSC. The ASC is seen as part of HR, working in the same organization as the CRM.

## **Company Culture**

Clearly UBS is still relatively early on the stage of HR Transformation. Though the financial situation of the company may push the HR function to move on in the HR Transformation and to approach offshoring options. Surprisingly there is an amazing effort in Change Management since HR Professionals are already aware about these potential plans and discuss openly about it. Considering the simplicity of the cultural environment of UBS in Switzerland compared with the complexity of the cultural environment of a multinational like P&G, it is still impressive to see that the Change Management activities of UBS were that successful. Even if they are culturally not ready yet, the fences are already lower than a year ago, but the company is definitely not set yet for another drastic change. Individuals across HR still show resistance towards change, the mainly senior CRM do always find reasons why UBS should not change.

## 7.4 Comparing the four models

The below table summarizes some of the elements of the analysis of IBM, P&G, DuPont and UBS:

**Table 20**  
**Comparing HR models**

Item	IBM	P&G	DuPont	UBS CH
Employees served	386'558	138'000	60'000	26'000
Globally aligned processes	Yes	Yes	Yes	Limited
Standard HRIT system for payroll	No	Yes	Yes	No
Outsourcing (year)	2004	2004	2006	N/A
Outsourcing (provider)	IMBPD	IMBPD	Convergys	N/A
Implementation of anSSC (year)	2000	2002	2004	2004
Location of European SSC	Hungary, Bulgaria	England	Spain	Switzerland
Number of countries with service centers	Out of 9 countries	Out of 3 countries	Out of 7 countries	3 within Switzerland
Special Services outside SSC (eg. Locally delivered services)	Yes, IMBPD	Yes, IMBPD / P&G	No	Yes, UBS
Centralized or decentralized CoE	Decentralized	Centralized	Decentralized	Centralized
Title of HR Managers	HR Partner	BAM	HRBP	CRM
Skills training associated with new HR title	Yes	Yes	Limited	Limited
Enabled shifting and change of HR attitude	Yes	Yes	No	Limited
All roles of Ulrich are visible	Yes	Yes	No	No
Customer Relation Program	Yes	Yes	Yes	No
Satisfaction with self-service model	Yes	Yes	No	Yes

Source: recapitulation of above

## 8. Conclusion

### **The journey to balanced cost efficiency**

The HR function was always adapting to its business environment: when it was needed for running payroll and for keeping records of employee presence, it succeeded as an administrative function. When it was needed for representing the company's interest in negotiations with labor unions, it became an expert in labor and industrial relations. And now, in the constantly changing, globalized high tech environment of the knowledge worker and in the context of increasing cost containment, HR needs to find a way to respect its mission of attracting, retaining and developing employees, while being more cost efficient. The question is: what is the price for this cost efficiency? Staying for 20 minutes on the phone with a call center and still feel that the question is not understood (be it a language or a competence issue) is not the solution, even if the daily operating cost of this call center agent is less expensive than having lunch in a subsidized cafeteria in Geneva. Unfortunately near-shored, offshored and outsourced call centers often suffer quality. In such cases the money saved by labor arbitrage is lost again, at least partially, by losing time through inefficiency during and frustration after the calls. Therefore, keeping in mind the mission of HR, the quality aspects of any employee related service should be appropriate to the individuals that shape the company, in order to ensure that they can continuously be attracted and retained. As much as companies want up-to-date IT material and services to make sure its employees are able to perform and to feel well with it, they need to ensure that HR services enable its employees to do so too. Unless the company wants a significant change in its culture, the service, be it HR, IT, cafeteria or any other, needs to fit to the company's culture.

### **HR capability**

Implementing the Ulrich model means a significant change for the HR function and the company's culture. However, across the four cases cited in the body of the thesis, it seems that individuals are reluctant to change. To a significant extend the HR Professionals are part of this group of people, since they are the most concerned by the transformation. Nevertheless while everything changes around them, they are the ones who would need to change the most.

Without a clear understanding of the roles and capabilities (skills and attitude) required, it is almost impossible to get the Ulrich model right. Each HR role represents a very different type of role, requiring very different capabilities for the HR Professionals. Understanding these key differences and selecting candidates based upon the precise capabilities required is essential if any existing or new structure is to be effectively deployed. Transforming the HR organization clearly needs to develop and transform its existing HR Professionals into what they need to be in the new model. Building the structure and defining the roles isn't everything, it is just the start to the trip of HR Transformation. To really transform HR into a function with the collective capability to add value to the business, the HR Professionals need to be enabled to change through pretty fundamental training on skills and attitude.

### **Management capability**

Employee development and other HR processes are largely moved to the line managers' responsibility (as shown in figure 2, page 13). Individuals across the organization often perceive this as a redistribution of HR work around the company, which is true, but in fact HR work should be as important to line managers as Finance and Strategy. In the reality of bigger multinational companies, almost all managers need to act also as people managers. Thus, similarly to the HR Professionals, they need to develop the skills and attitude needed for this new role. Today, people management is not yet a capability seen as criteria for being a manager and as a consequence it is neither a broadly accepted criteria for the evaluation of them. Secondly, people managers will shortly be confronted to three very different generations side by side in the workforce: Baby-boomers, Generation X and Y. All three have significantly different needs regarding their work environment and are as well very different in their personality. The cross-generational management challenge will intensify during a period of structural labor shortage, also associated with "the war for talent"<sup>39</sup>. Talent is becoming the major source of competitive advantages and it is going to be the people managers who need to ensure that companies can retain that talent.

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<sup>39</sup> THE WAR FOR TALENT. FAST COMPANY [online]. <http://www.fastcompany.com/magazine/16/mckinsey.html> (visited on August 10, 2008)

## Individual capability

The globalization of knowledge and work can, as Friedman says “usher in an amazing era of prosperity, innovation and collaboration, by companies, communities and individuals.”<sup>40</sup>. Anyhow, from today’s perspective it looks like an incredible mass of work moving to emerging countries. A parallel can be drawn with the disappearing production industry of textiles and electronic equipment from the Western World. How does the future of work look like? Does every individual in developed countries need to do a PHD at one of the prestigious universities to stay competitive and to qualify for the remaining upper management jobs in the Western World? Or do young graduates need to go to emerging countries to find the remaining entry level jobs, to move back home later in their career when they fit into the local labor market? Not every individual is qualified or can financially afford to study at the best universities to stay employable in the western labor market. Neither can all individuals without higher education move to a different country to find a job. Therefore globalization and offshoring may result into significant structural unemployment.

Not every individual finds its passion or the job where they can become the best performer and not every person has the energy to be outstanding every day. In fact the self-sufficiency propagated by today’s business world is not true for all individuals of the world’s population. There is still a majority of white-collar workers with limited aspirations. Is there a place for them in the future? Do they need to move to an emerging country? Is it the responsibility of educational institutions, such as schools and universities, to train self-sufficiency and provide a clear perspective to the young generation? It is the society, including companies, that is accountable for our future and sustainable development includes as well the labor market.

*Chi va piano va sano e va lontano* says an Italian proverb (He who goes slowly goes safely and goes far). This applies to Change Management in HR Transformation as well as to Globalization. But companies do have a social responsibility and have to act in a sustainable manner for future generations. As part of the society, companies have

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<sup>40</sup> FRIEDMAN, Thomas L.. *op. cit.* p. 4

to ensure that there is a place for everyone, in every country, across the world. Given the facts stated above the consequence of offshoring and the demographical development in the western world risks to result in talent shortage combined with structural unemployment.

There is a strong interdependence between companies and society: Companies need talented and experienced employees for their senior roles and to grow the talent needed, they need to offer entry level jobs across all functions. When off-shoring or outsourcing entry level jobs, companies risk losing access to the talent they need. There is a problem of compatibility between the corporate world and individuals: one targets short term cost savings, and the other targets development and / or long term stability.

The Global HR Delivery Model needs sharp thinking before implementation. Not only in terms of design, but also in terms of change management and internal and sociological and cultural consequences. For the company and for the society in which it exists.

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# Appendix 1

## Abbreviations and Accronyms

ASC	Advisory Service Center (UBS)
BAM	Business Account Manager (P&G)
BTO	Business Transformation Outsourcing (IBM)
CoE	Center of Expertise
CRM	Customer Relationship Management
EMEA	Europe, Middle East and Africa (DuPont)
ES	Employee Services (P&G)
HR	Human Resource, Human Resources
HRBP	Human Resource Business Partner
HRO	HR Outsourcing
IMBPD	Integrated Managed Business Process Delivery (IBM)
IT	Information Technology
KPI	Key Performance Indicators
RSC	Recruiting Service Center (UBS)
SBU	Strategic Business Unit
SDT	Service Delivery Team (DuPont)
SLA	Service Level Agreement
SSC	Shared Services Center

## Appendix 2 Articles

### 1. Human Resources Outsourcing Survey Report (2004)

#### Use of Outsourcing by Process

Function	Responses (%)			
	Outsource Completely	Outsource Partially	Do Not Outsource	Average Years Outsourced
Background or criminal checks	49	24	27	5
Employee assistance or counseling	47	19	35	7
Flexible spending account administration	43	24	33	6
Reconciliation Act administration	38	17	45	5
Health care benefits administration	24	36	40	8
Temporary staffing	21	33	46	7
Pension benefits administration	19	36	45	8
Retirement benefits administration	17	30	54	8
Employee relocation	13	16	71	6
Payroll administration	13	35	52	8
Retirement planning	11	10	80	9
Work-life balance benefits administration	6	5	89	4
Compensation or incentive plans admin.	4	15	82	7
Executive development and coaching	4	16	80	6
HR information system development	4	11	85	5
Recruitment or staffing of nonexecutive employees	4	26	71	6
Recruitment or staffing of executives	4	24	73	7
Risk management	4	8	88	8
Expatriate administration	2	4	94	6
Employee communication of plans or strategies	1	9	90	5
Performance management	1	2	97	6
Training and development programs	1	20	80	6
Policy development or implementation	0	4	96	5
Strategic business planning	0	4	96	2

## 2. Workforce Management, March 26, 2007

**OutFront**

# TOP END-TO-END LARGE-MARKET HR OUTSOURCING PROVIDERS

Ranked according to number of end-to-end clients with at least 15,000 employees



### STATE OF THE LARGE-MARKET HRO INDUSTRY

Accenture's seven-year HR outsourcing contract with Unilever, estimated to be worth more than \$1 billion and covering 200,000 Unilever employees, set a new industry standard when it was signed in June 2006. The megadeal covers a full range of HR services for Unilever, including recruitment, payroll processing and performance management globally. It helped offset the fact that the industry fell short of many analysts' glowing predictions for 2006. Whereas 2005 saw a dramatic 37 percent increase in deals signed, with 39 multiprocess HRO contracts, there was a drop in 2006, with 34 deals being closed, according to Everest Research Institute. Still, the multiprocess HRO market is growing, with annualized contract values increasing another 18 percent to reach \$2.6 billion. According to HRO spe-

cialist Phil Fersht, "The fact that more focus is now on buyers adopting transformational approaches to HRO, as opposed to the classic 'lift and shift' model, has slowed the HRO market. The change in delivery model has signified a rapid maturing of the HRO industry, which is necessary for workable HRO solutions to exist in the future, and [for] today's suppliers to invest in the global resources and infrastructure necessary to deliver HRO in an operationally successful and economically feasible fashion." Workforce Management's definition of end-to-end HRO requires that vendors provide a minimum of four HR services for their client companies. To qualify as large-market providers, vendors must cover a minimum of 15,000 employees within their client companies.

RANK	Company, Web address	Number of end-to-end clients with 15,000-plus employees in most recent year	Number of end-to-end clients with 15,000-plus employees in previous year	Total company revenue for most recent four quarters	Key clients
1.	HEWITT ASSOCIATES www.hewitt.com	23	21	\$2.79 billion	Air Canada, BMO Financial, Centrica, Marriott, Prudential, Sun Microsystems, Thomson, Wachovia
2.	IBM GLOBAL SERVICES www.ibm.com/services	12	6	\$1.85 billion <sup>a</sup>	Procter & Gamble, Dana Corp., Kodak, CVS, Sanyo, Avon, American Airlines, Rhodia <sup>d</sup>
3.	ADP EMPLOYER SERVICES www.adp.com	10	Would not disclose	\$5.8 billion	Rhodia <sup>d</sup>
4. (Do)	AFFILIATED COMPUTER SERVICES www.acs-irc.com	6	6	\$5.51 billion	Motorola, Goodyear, Delta Air Lines
(Do)	CONVERGYS www.convergys.com	6	Would not disclose	\$2.79 billion	Fifth Third Bancorp, state of Texas, Boston Scientific, Solared, Whirlpool, DuPont
6. (Do)	ACCENTURE HR SERVICES www.accenture.com	5	3	\$6.75 billion <sup>b</sup>	Unilever, BT Group, Transportation Security Administration
(Do)	ARINSO INTERNATIONAL www.arinso.com	5	2	\$271.45 million	CA Inc., ISS Facility Services
8. (Do)	EXCELLERATEHRO www.excelleratehro.com	4	Would not disclose	Not available <sup>g</sup>	Cardinal Health
(Do)	FIDELITY EMPLOYER SERVICES CO. www.fidelity.com	4	5	Would not disclose	ABB, Bank of America
10.	CERIDIAN www.ceridian.com	2	2	\$1.57 billion	Comedica, FMC Corp.

<sup>a</sup>The figure was taken from IBM Global Services' business transformation outsourcing segment, which includes all HR outsourcing business. IBM Global Services revenue for the most recent four quarters was \$46.29 billion. <sup>b</sup>IBM and ADP signed a joint seven-year contract to provide full-scale HRO services to Rhodia. <sup>c</sup>Accenture does not break out revenue per service group. Accenture's total outsourcing revenue for the most recent four quarters was \$6.75 billion, while its total revenue for the most recent four quarters was \$16.65 billion. <sup>d</sup>ExcellerateHRO is jointly owned by EDS and Towers Perrin, and its revenue figures are not broken out separately. Since ExcellerateHRO launched in March 2005, the company has signed or renewed contracts valued at more than \$350 million for HR outsourcing, benefits administration, payroll, and relocation and assignment services. Sources: Companies.

This list first appeared in the March 26, 2007 edition of Workforce Management.

# Le passage d'une multinationale en mode «Shared Services»

Avec plus de 60 000 collaborateurs à travers le monde, la multinationale américaine DuPont s'est engagée sur la voie du «HR Shared Services». Résultat: une réduction des coûts de 35 %. Le détail de cette transformation avec le DRH du groupe pour la Suisse, Dominique Rorive.

Le premier contact avec la multinationale DuPont en vue d'écrire cet article a été pris par téléphone. Après avoir composé le numéro genevois de la firme, je demande le département des ressources humaines. Quelques manipulations téléphoniques plus tard, une jeune femme au français impeccable me propose son aide. J'imagine mon interlocutrice contemplant comme moi la grisaille printanière helvétique depuis les bureaux cossus du siège européen de DuPont à Genève. Tout faux. Elle me parle depuis le «HR Shared Service Center» au nord de l'Espagne, sous un soleil de plomb. Me voilà plongé en plein sujet. Foncier de cette pratique, la société DuPont secteur Europe a inauguré en avril 2002 déjà son «HR Shared Service Centers» dans la région des Asturies, en Espagne. Il s'agissait d'un processus, engagé en janvier 2001, qui a permis une réduction des coûts RH de 35 %. Mais si cette opération vise avant tout à rationaliser les tâches administratives de chaque service du personnel, le passage au modèle «Shared Services» a également permis de mieux mettre en valeur le rôle stratégique des ressources humaines.

tion des départements de ressources humaines européens s'inscrit dans la même logique: rationaliser les procédures administratives. DuPont choisit un site de production dans les Asturies, au Nord de l'Espagne, pour installer son «HR Shared Service Center» pour l'Europe.

Du côté RH, c'est l'arrivée du nouveau responsable des ressources humaines pour l'Europe, le britannique Tim Farrell, qui a été le point de départ de la transformation. Farrell commence par commander un état des lieux des différents départements RH européens. Les consultants et le personnel interne qui planchent sur le rapport arrivent à deux conclusions: 1) les rôles et les responsabilités RH ne sont pas assez clairement définis; 2) une large partie des activités RH sont

administratives. Devant ce constat, DuPont lance une équipe projet, dont fait partie Dominique Rorive, pour étudier les solutions possibles. «En six mois, nous avons dégagé quatre options: une approche «portfolios», une sorte de décentralisation des activités RH; l'harmonisation des processus; la création d'un «Shared Service Center» et enfin l'externalisation pure et simple des tâches RH de la firme», explique Dominique Rorive.

Les deux premières options sont rapidement mises de côté. «Pas assez drastiques». Restent les idées d'un «shared service center» et d'une externalisation. «On a opté pour la première parce qu'elle nous permettait de réduire le temps consacré aux affaires administratives et de nous concentrer sur le reste de l'organisation», se souvient

**«Harmoniser le système informatique est absolument nécessaire pour réussir la transition.»**

Dominique Rorive, DRH de DuPont Suisse

nes. C'est à Genève cette fois, que Dominique Rorive, DRH du groupe pour la Suisse, a accepté de nous raconter les détails de la mise en place de cette nouvelle procédure RH.

Choisir un système de «HR shared services» est en général une affaire de multinationales. Car pour que l'investissement en vaille la peine, la taille de l'entreprise est sans aucun doute un critère décisif. Pas étonnant par conséquent que parmi les sociétés qui ont choisi ce modèle on retrouve IBM, Siemens, Novartis ou Procter & Gamble. Avec 60 000 collaborateurs dans 70 pays, DuPont ne fait pas exception à la règle. Le siège européen de la firme à Genève est par contre un des premiers à s'être lancé sur cette voie en unifiant dès 1997 les 28 systèmes de «Payrolls» que le siège comptait en Europe. La centralisa-



**L'interviewé**

Dominique Rorive, 36 ans, est chef DuPont depuis 1997. Il est DRH pour la Suisse et responsable du site genevois de la firme. Il est titulaire d'un master en sciences politiques de l'Université de Lausanne.

Dominique Rorive. Sachant qu'aujourd'hui, DuPont est en train d'externaliser complètement ses services RH, pourquoi ce choix? «Car on pensait qu'il fallait commencer par harmoniser nos processus avant de les outsourcer complètement», concède-t-il.

**Depuis la décision d'opter pour un modèle «shared service»** en juin 2001, les choses sont allées très vite. Première opération: DuPont harmonise son système informatique. Pour les spécialistes, ils passent du modèle SAP 3.1i au 4.6.C. Aujourd'hui, ils sont en train de passer au SAPHCM (Human Capital Management). «L'investissement est relativement important mais absolument nécessaire pour réussir la transition», note Dominique Rorive. Qui conseille même de regrouper l'harmonisation informatique et organisationnelle en une seule étape: «L'investissement est plus grand mais cela accélère considérablement la transition. Et par conséquent le retour sur investissement.»

Une fois le réseau informatique en place, commence la création du «HR Shared Service Centers». Pour le site, DuPont opte pour le nord de l'Espagne, «car un site de production et notre centre financier pour l'Europe y étaient déjà sur place». Et bien sûr, les salaires espagnols (environ 1500 euros, ndlr) sont plus intéressants. L'organisation des ressources humaines de DuPont en Europe se fait en quatre blocs. L'idée est de former des «clusters» de compéten-

ces RH selon les besoins des collaborateurs et les différents besoins de l'entreprise.

**Sur le site espagnol, on retrouve d'abord un «call center»,** appelé «Call HR» (le cluster dans lequel travaille mon interlocutrice mentionnée dans l'introduction de cet article). Dans ce premier secteur, on retrouve toutes les activités dites répétitives (paiements des salaires, assurances mais aussi réception des dossiers de candidature et formalités administratives liées à une maladie par exemple). Ces tâches n'impliquent également pas de contact en «face à face». Pour effectuer ce travail, DuPont recrute à travers toute l'Europe. Profil des collaborateurs: de jeunes professionnels des ressources humaines et de jeunes diplômés cherchant une première expérience professionnelle et qui sont d'accord de travailler dans un pays étranger pour un salaire relativement modeste (voir ci-contre).

**Le deuxième «cluster» réunit les savoir-faire** liés aux compétences et à la mise sur pied de politiques RH. Basé dans l'ensemble de l'Europe et baptisé «Virtual center of expertise», il s'agit d'un service de consulting «maison», capable de mener des réflexions en profondeur sur les besoins spécifiques de chaque pays. Les employés qui y travaillent disposent donc d'une certaine connaissance des pays qu'ils doivent gérer.

Le troisième «cluster» est consacré à la stratégie des business. Nommé SBU (Strategic Business Unit) HR Partner, ce service est surtout destiné aux managers des différents départements de DuPont. Il est géré par des employés RH qui ont une grande expérience des ressources humaines.

Enfin, le quatrième «cluster» est autour des sites de DuPont et des pays. On y conduit tous les entretiens d'embauche par exemple. Et toutes les activités RH qui nécessitent un contact personnel.

**Avec ce modèle,** DuPont a donc réussi à couper dans ses dépenses administratives, par son système informatique et par la rationalisation des tâches qui sont de plus effectuées dans un pays aux salaires relativement bas. D'un autre côté, la fonction ressources humaines de DuPont a gagné en professionnalisme. Car le personnel RH peut désormais se concentrer sur les problèmes de fond (formation, gestion des compétences, talent management, innovation et contribution stratégique), en endossant un rôle de consultant.

Opérationnel depuis avril 2002, le centre espagnol emploie aujourd'hui une centaine de personnes. Elles gèrent 39 sites différents à travers l'Europe, ce qui représente 15000 employés et six langues différentes. A titre d'exemple, les fiches de salaires des 15000 collaborateurs européens sont préparées en Espagne puis envoyées dans un seul fichier à une société en Allemagne, qui effectue l'impression et les envoie au domicile des collaborateurs. Une banque unique s'occupe d'effectuer le paiement des salaires d'un montant de 1 milliard de francs par année.

**Mais pour le personnel RH,** ces économies n'ont pas été sans conséquences. En Europe, les départements RH sont passés de 320 à 160 collaborateurs (tous pays confondus). Ajoutez à ce chiffre les 100 employés «low cost» recrutés au «HR Shared Service Center» espagnol, la coupe dans le contingent RH aura finalement été de 160 personnes. «La transition a pris du temps. Et pour les employés RH restés en place dans les différents pays, ils sont passés d'une fonction opéra-

**«Les responsables RH sont passés d'une fonction opérationnelle à un rôle de consultant ou de coach.»**

Dominique Rorive, DRH de DuPont Suisse

tionnelle à un rôle de consultant ou de coach. Ce qui n'a pas été évident pour tout le monde», observe Dominique Rorive.

**Finalement, la transition d'un modèle** décentralisé au modèle «shared services», n'aura été qu'une étape intermédiaire. Car si l'expérience pionnière de DuPont Europe a permis des économies substantielles, le siège américain de la firme a décidé en novembre 2005 d'externaliser tous ses départements RH à travers le monde. C'est le prestataire de service américain Convergys qui a décroché le mandat. Le contrat sera monnayé 1,1 milliard de dollars sur une période de 13 ans. Convergys a promis une amélioration de la productivité de 20% au démarrage et même de 30% après les cinq premières années.

Marc Berminger

## Son propre pool de talents

D'une pierre deux coups. Quand la multinationale DuPont a créé son «HR Shared Service Center» en avril 2002 au nord de l'Espagne, elle n'a pas seulement engagé un processus de réduction des coûts. Dans la foulée, elle s'est dotée d'un pool de talents RH dans lequel elle peut puiser pour ses besoins en interne. Recrutés dans tous les pays européens dans lesquels DuPont est présent, les employés du «service center» sont en général de jeunes étudiants cherchant une première expérience professionnelle. Ils y travaillent entre 18 mois et trois ans. Passant au fil des ans de tâches administratives très simples à des responsabilités RH plus lourdes. DuPont n'a donc plus de soucis à se faire pour recruter son personnel RH. mb

## Deux siècles d'innovation

Très variées, les activités de la multinationale DuPont pourraient se résumer à de la chimie appliquée. Inventeurs de plusieurs matériaux qui ont conquis depuis longtemps les marchés internationaux (le nylon, le Kevlar, le Lycra ou le Teflon par exemple), la firme a été fondée aux Etats-Unis en 1802 par le français Eleuthère Irénée du Pont (1771-1834). La firme, qui est aujourd'hui toujours en mains américaines, se targue d'être dépositaire d'un patrimoine de deux siècles d'innovation. Après s'être longtemps spécialisée dans les explosifs, la société se profile durant la première moitié du XX<sup>e</sup> siècle dans le secteur chimie/énergie.

En 2005, DuPont a généré un chiffre d'affaires de 27,3 milliards de dollars. La firme est présente dans 70 pays et emploie plus de 60 000 collaborateurs. Son CEO est l'Américain Charles Holliday Jr. Selon le magazine «Fortune 500», DuPont est la 66<sup>e</sup> multinationale américaine dans le secteur service/industrie. mb



HR Today 3 juin 2006

# 4. DuPont HR Model Presentation

Slide 1



Slide 2

### Agenda

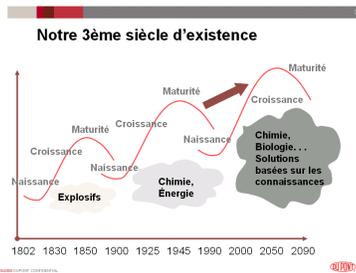
DuPont Today

Phase 1: Implementation of an IT Platform in Europe

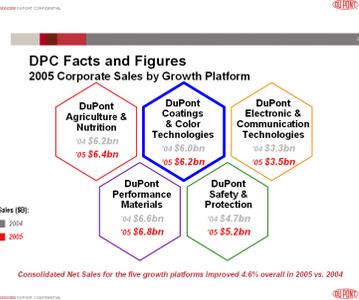
Phase 2: Implementation of an In-House Shared Service Center in Europe

Phase 3: Global HR outsourcing agreement with Convergys

Slide 3



Slide 4



Slide 5

### A long Journey : DuPont 1802-2004

Employees	100	60 000
Countries	1	75
Products	1	> 2000
Customers	12	> 25'000
Investments	36 000\$	40 milliards \$
Revenue	500 000\$	27.3 milliards\$

Slide 6



Slide 7

### DuPont en Suisse

725 employés répartis sur cinq Sites:

Site	Employees	Description
Pratteln	18	Centre de distribution et vente
Vernier	12	Centre de distribution et vente
Bulle	79	Site de production
Meyrin	183	Centre Technique Européen
Genève	433	Siège de DuPont EMEA

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### Phase 1 : Implementation of an IT Platform

1997 to 2000

Move from  
28 different legacy systems used at various sites and Countries across Europe

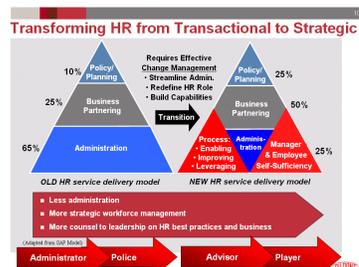
To  
1 single system SAP 3.1i and then 4.6C

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### A Brief History of CallHR

- The idea of CallHR originated six years ago in 2000. When talking to business and functional leaders, Tim Farrell, the new HR Director for Europe at that time, heard that HR's roles and responsibilities were unclear and largely transactional.
- In 2001, a project team completed a benchmarking study and developed a proposal for shared services, including an integrated SAP HR platform, in EMEA. To achieve the desired benefits, the CallHR team needed to build a service center to serve ten major European countries.
- In April 2002, CallHR opened its phone lines to the first customers in the UK. In June of 2002, the team added Spain, Portugal, Luxembourg, Switzerland and the Netherlands. By the end of 2003, France, Italy, Belgium and Germany completed its transition of transactional services to CallHR.
- In 2004, CallHR successfully delivered payroll for 10 countries — handling more than 1 billion euros in salary payments — to 17,000 employees, among other important HR transactional services.

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**Phase 2 : Implementation of an HR SSC in Europe**

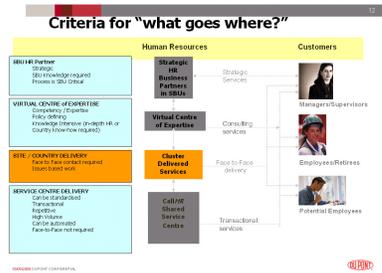
**Option 1: A portfolio approach**  
Each SBU has a devolved HR function. Each SBU can decide how to run the HR service, with different processes tolerated, or even encouraged across SBUs. SBUs decide on their preferred service delivery model.

**Option 2: A common processes and technology approach**  
Common policies and practice standards are adopted in all SBUs and territories. There is a stronger corporate HR function involved in policy and practice co-ordination. HR service delivery is largely based at site level.

**Option 3: A shared services approach**  
Countries and SBUs share a common approach to HR transaction processing, with transaction and consultancy services delivered from one or more service centres for EMEA.

**Option 4: An outsourcing approach**  
DuPont outsources all HR services to one supplier across EMEA. All parts of the business share a common HR service and approach from the outsourcer.

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Slide 12

**The Location - Asturias**

**Operational Units**

- Nomex®
- Sontara®
- Crop Protection Products
- European Finance Centre
- HR Shared Service Centre

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**CallHR - What Do We Do ?**

- Deliver day-to-day HR Support to employees & managers in 10 countries
- Support all HR Processes:
  - Recruitment
  - Leavers
  - Compensation & Benefits
  - Transferee Management
  - Payroll/-Accounting
  - Learning Services
  - Data Maintenance
  - Employee enquiries
- Run payroll for 10 countries
  - Service 41 legal entities - 39 sites
  - 15,000 employees / 6 different languages
  - 3 years of experience as of April 2002

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**Call/HR Service Overview**

Employee Services	Employee Queries Benefits Administration	Information Technology Support
Business Services	Compensation	
	Transferees	
	Staffing	
	Learning Services Leavers	
Payroll Services	Payroll Operations Payroll Accounting	

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**Timing**

- Main Hiring for CallHR for Jan 1, 2002
- First wave was UK, Netherlands, Luxembourg, Switzerland, Spain and Portugal. Start-up dates were between April 2002 and July 2002
- Go Live of Payroll services (UK, NL, E) May 2002, followed by P/CH a couple of months later
- Second wave was Germany, France, Belgium and Italy Start-ups between July and December 2003
- Luxembourg payroll April 2004
- France payroll July 2004

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**A Global Leader in Providing Human Resources Services**

- **Founded:** 1983 (as CBIS)
- **Headquarters:** Cincinnati, Ohio
- **Revenues:** US\$2.5 billion
- **Locations:** U.S., Canada, Latin America, Europe, Middle East, Asia
- **Countries:** 40
- **Languages:** 30
- **Industries served:** Communications, financial services, technology, retail, healthcare

- **Clients include:** Office Depot, RiteAid, Sprint, United States Postal Service, State of Florida, State of Texas, Yahoo!
- **Employees served:** More than 2,500,000 globally

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**Phase 3 : HR Outsourcing to Convergys**

Scope of service  
Human Resources (HR) transactional services to DuPont's 60,000 employees and 102,000 retirees in 70 countries and 30 languages around the world

Organization & Employee Development  
Workforce Planning & Deployment  
Compensation Management  
Benefits Administration  
Payroll  
Integrated Health Services  
Recruiting  
Employee & Labor Relations  
Performance Management  
Employee Data Management  
Vendor Management  
HR consultative services

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**Phase 3 : HR Outsourcing to Convergys (cont.)**

**Revenue**

\$1.1 billion over thirteen-year  
20 percent productivity improvement as services transition to Convergys  
30 percent after 5 years.

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