

# CREATING VALUE THROUGH HUMAN CAPITAL MANAGEMENT (HCM)

**Shared Services and Technology as key drivers for HCM transformation**

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# AGENDA

**Evolutionary stages of shared services**

**Business case for a new HR operating model**

**Telkom HR service delivery model**

**Issues and key lessons learned in shared services**

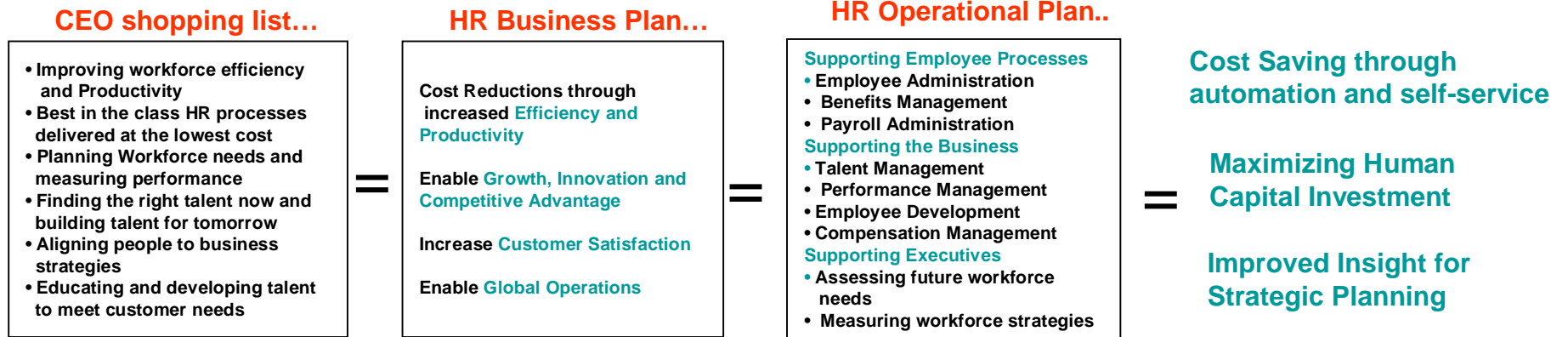
**Sustaining the value of shared services**

**Questions?**

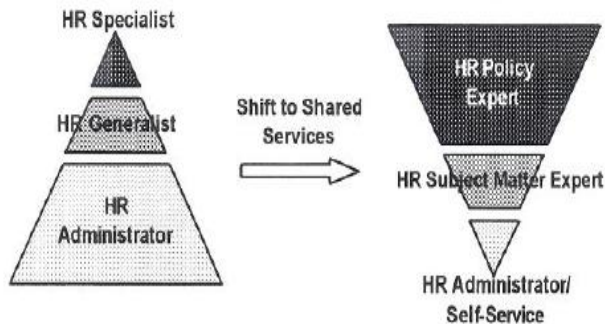


# Business case for a new HR operating model (Shared services)

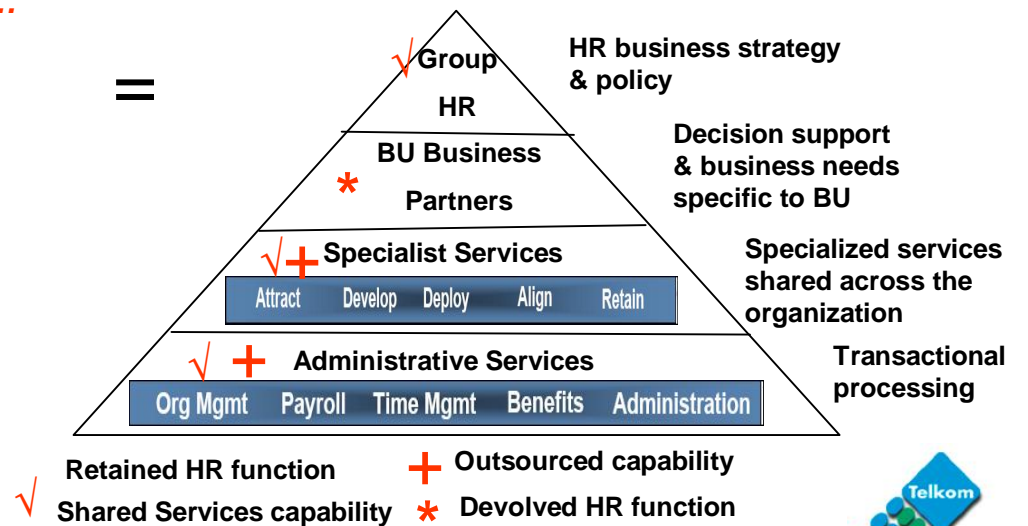
Processes are designed to maximize efficiency in managing employee service requests and encourage high-level contribution from HR professionals ....



**+** ...the work of David Ulrich and others has defined the roles that HR must adopt to be cost effective ... lower cost, higher quality and strategic contribution....



Structure focused on higher value-add .....



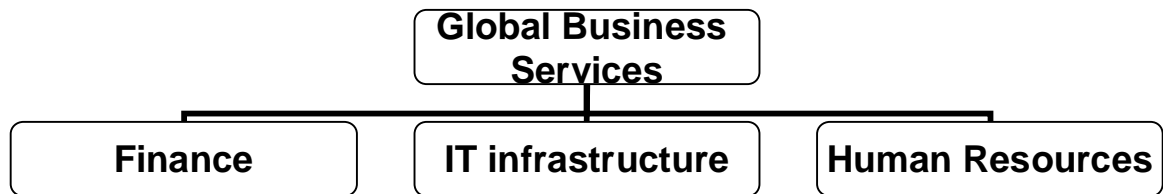
Source: SAP AG, SAPHIRE '05 Copenhagen/ERP/David Ludlow



# Positioning of HR shared services

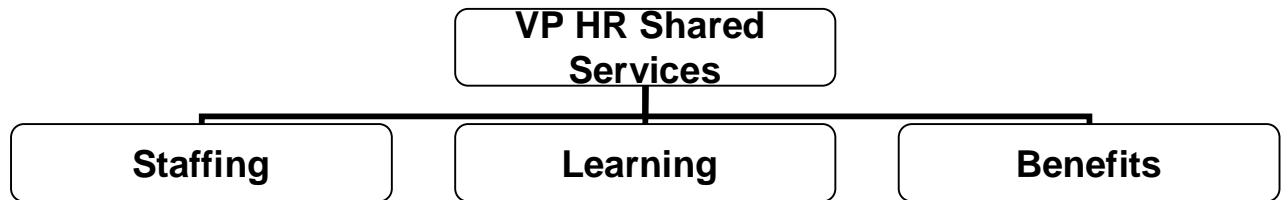
*The structure of Shared Services within an organization can influence the costs , service quality and strategic alignment of the function ....*

## *Housing Shared Services within a larger Shared Services function .....*



- ✓ May realize greater cost effectiveness
- ✓ Support a more Customer and market orientated work style

## *Free-standing HR Shared Services .....*



- ✓ Enables direct alignment with the strategic HR function
- ✓ Ability to drive organizational change through Shared Services

## *Outsource HR Shared Services .....*



- ✓ Outsource lower-level HR services
- ✓ Remaining HR staff support HR strategy

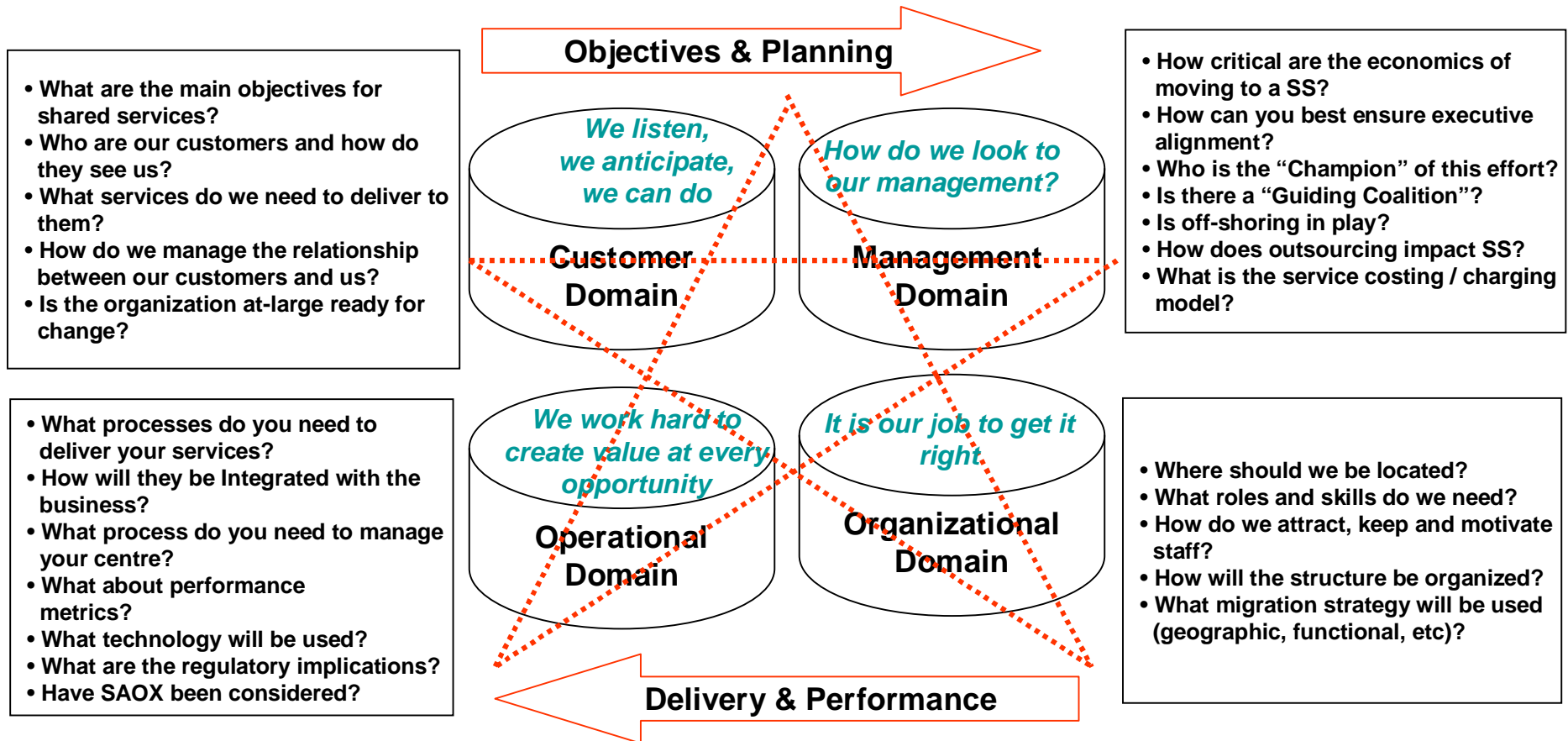


Source: "HR Shared Services: Determining the Scope, Scale and Structure", Corporate Executive Board, 2006



# Shared Services: Holistic approach to determining the Scope, Scale and Structure

Adopt a *Balance Scorecard* approach. Aligning the four domains leads to successful implementation .....



Source: Robert S. Kaplan and David P. Norton, 1994







# Telkom HR journey to shared services

Structure

Staff

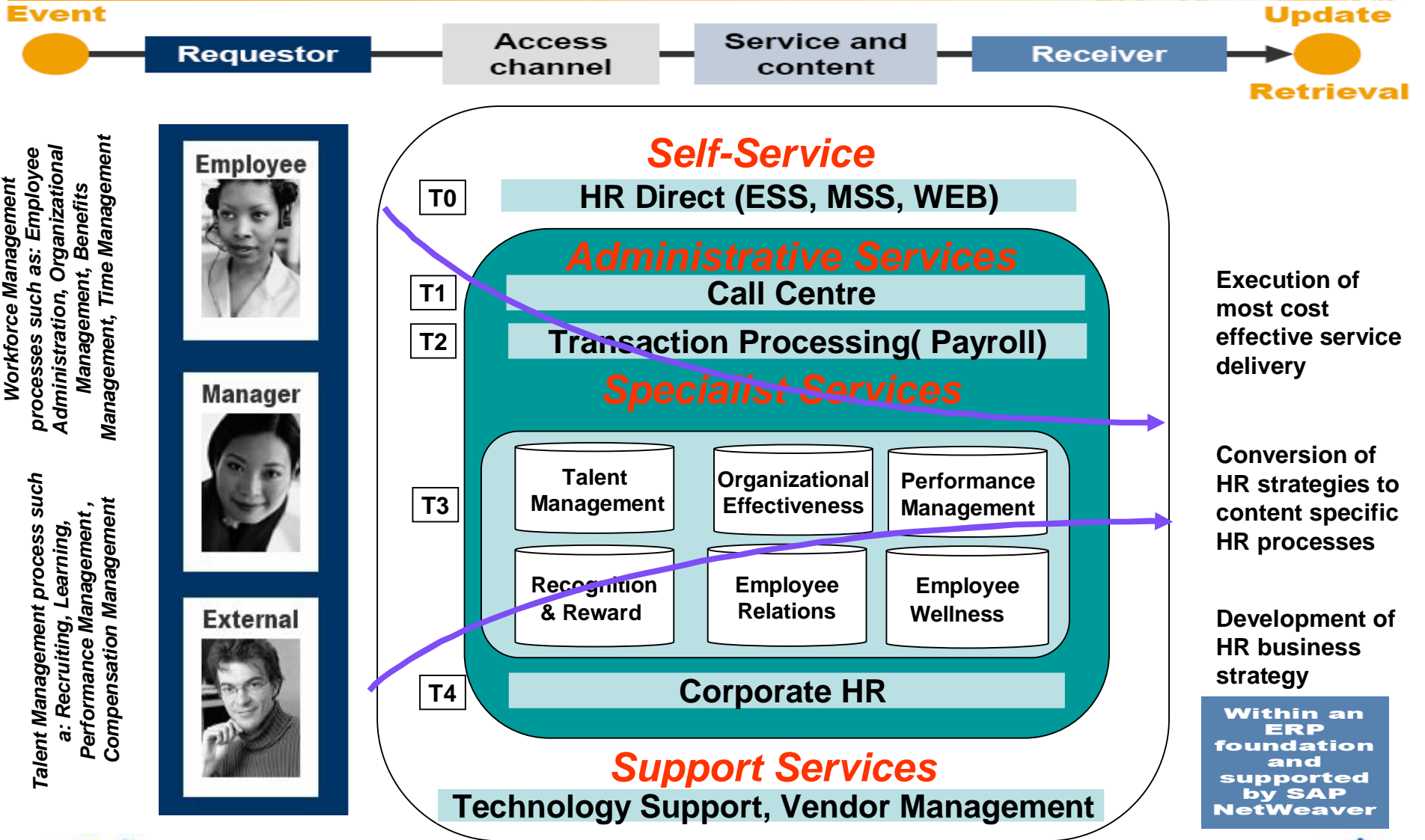
Technology

Users

Strategy	1996	1998	2001	2002	2003	2006	2007 +	
HR Structure: moving towards central office	Devolved structure: HR Dept. per BU, Region & Area in Region	Right sizing: HR offices in Areas abolished	Right sizing: One HR Dept. per Region	HR Centralized				
HR Staff being used more effectively		1500 HR employees	----->				210 employees	
HR technology: moving towards a business tool for employees	SAP HR version 2.2 implemented Focus on Payroll activities	Upgrade to version 3.1 Centralized capturing of high volume transactions (Time management)	Upgrade to version 4.6 Implement Managers Self-Service		Upgrade to version 4.6 C Implement Employee Self-Service	Upgrade to version 4.7 (ERP) Implement SAP Portal	Upgrade to Portal EP7 Planning Upgrade to ERP6 & 2004S NetWeaver Components	
HR technology users increasing		800 HR payroll administrators	----->				25 500 Telkom users	



# The Telkom HR service delivery model



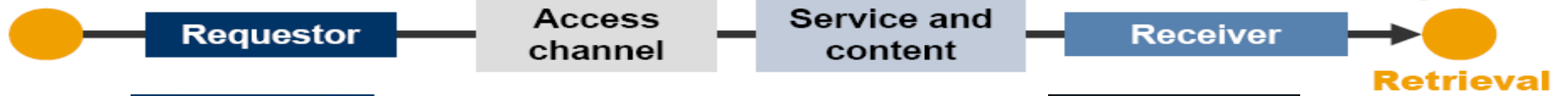
Sources: SAP AG, SAPHIRE '05 Copenhagen/ERP/David Ludlow and "Delivering Value, Creating an HR Shared Services Centre", Orion Partners, 2007



# How is service delivery configured within the Telkom HR shared services function?


Event

Update




80% of day spend on productivity tools & devices


**Employee**



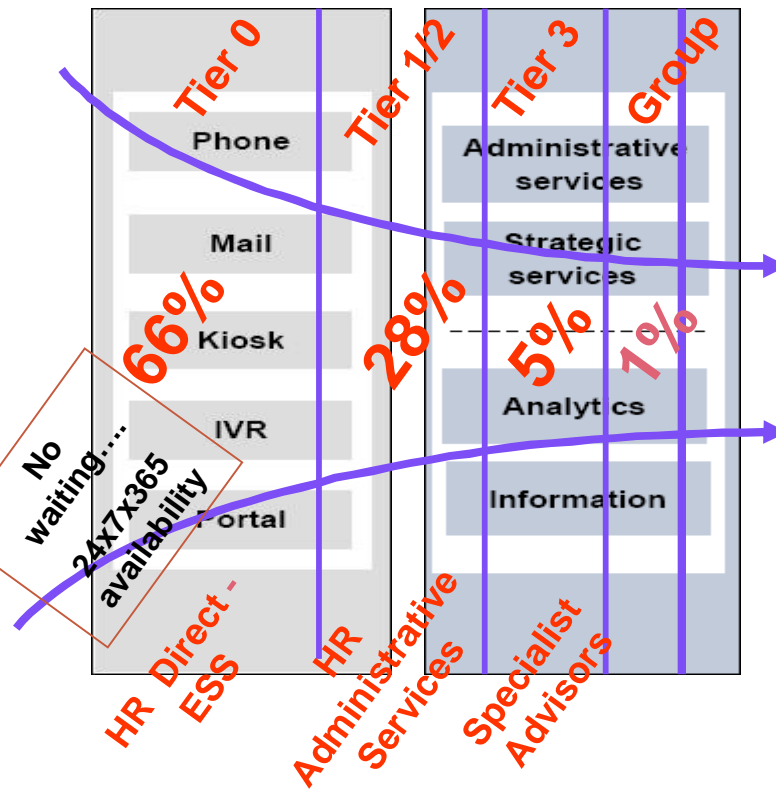
**Manager**



**External**



100% Means of Resolution



Human resources expert

Service center

Manager

Direct

Discover the difference between 100 customers a day and 100 customers a minute

By opening your doors your customers will have access to your products 24 hours, seven days a week



Source: SAP AG, SAPHIRE '05 Copenhagen/ERP/David Ludlow



# What technology is employed in the HR shared services centre?

## ***Technology offerings is a primary driver behind the growth of shared services ....***

- Self- service Technology
  - Web-based portal to conduct transactions (and workflow tools to automate core administration)
  - Organizational intranets and knowledge management tools to provide rapid access to data, policies, procedures
  - Interactive Voice Response (IVR)
- Service Centre Technology
  - Case Management Database
  - Call Tracking Database
  - Document imaging systems and electronic document management
  - eForms

## ***Technology for technology's sake ....***

- Systems typically accounts for 70-80% of the total cost of a transformation project
- Organizations implementing large scale ERP solutions only successfully deploy less than 25% of the technology's available functions
- Success is defined in terms of testing, data conversions instead of the delivery of benefits



# The HR service delivery is self-service centred

Employees access the SAP portal and depending on their roles have access to various e-functionalities

**Welcome Johan Brand** | [Help](#) | [Personalize](#) | [Log Off](#)

**Welcome** | [ESS](#) | [My Staff](#) | [My Budget](#) | [My Devices](#) | [BW](#) | [MIC](#) | [SRM](#) | [SAP Inbox](#)

### Telkom Board approves final allocation of Conditional Share Plan for 2007

On 4 September 2007 the Board approved the fourth and final allocation of the Telkom Conditional Share Plan (TSCP), with effect from 8 June 2007. [More >>](#)

### 360 degree measurement to be opened

As was communicated earlier this year, the 360 degree measurement was opened from 18 September to 2 November. [More >>](#)

### Enhanced substitution functionality for the SAP Inbox

As part of Telkom's continuous drive to improve system products and functionalities, the Information Systems Development (ISD) team enhanced the current SAP Inbox workflow substitution process. [More >>](#)

**Links**

- [Birthday Calendar.](#)
- [Message Archive.](#)

**Help**

- [SAP R/3 Access Form](#)
- [Quick Reference Guides](#)
- [SAP Call Centre](#), e-mail: [SAP R3](#), 080 020 2047.

ESS	MSS	SAP IT Broadcast	SAP System Broadcast	SAP Calendar Events
certificates for the tax year 2006/7 are now available. <a href="#">More &gt;&gt;</a>	<b>NEW</b> Telkom Manager's Provident Fund data updated! <a href="#">More &gt;&gt;</a>	SAP IT Broadcasts will be made available here when posted.	Please note that, as from 22 September 2007, the following format will apply to <a href="#">More &gt;&gt;</a>	<b>4 days on 2007-10-12.</b> <ul style="list-style-type: none"><li>• SAP Monthly Release ... <a href="#">More &gt;&gt;</a></li></ul>

**Links:** [ARIS](#) | [CFL](#) | [Finances](#) | [HR](#) | [ISD](#) | [Telkom Touch](#) | [TelkomWiki](#) | [Virtual Campus](#)

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# Metrics for HR shared service functions

**Metrics for Shared Services functions provide insight into function efficiency and effectiveness .....**

**HR Shared Services metrics by category .....**

Financial	Procedural	Customer Feedback
<ul style="list-style-type: none"> <li>• Costs per full-time employee</li> <li>• Costs broken down by offering and utilization of offering</li> <li>• Shared Services costs growth relative to company growth and/or expenditures</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Backlog</b></li> <li>• <b>Issue resolution cycle time</b></li> <li>• Metrics for specific tasks (e.g. time-to-fill vacancies)</li> <li>• Six Sigma</li> <li>• <b>Turnaround time</b></li> <li>• <b>User's time on hold</b></li> <li>• <b>Utilization rates per phone, fax, e-mail or Web</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Periodic surveys of internal customer population</b></li> <li>• <b>Reviews of past calls for customer service quality</b></li> <li>• Surveys targeting specific user groups</li> <li>• <b>Customer complaints</b></li> </ul>

**HR Management Metrics**

HR expense per full-time employee  
Employee-to-HR staff ratio

**Service Centre Contact Metrics**

**Phone: Answer Time (80% within 20 sec)**  
Phone: Talk Time  
**Phone: Abandon Rate (0%)**  
E-mail: Time to acknowledge (Automated)  
Fax: Time to Acknowledge (5 min to 4 hours)  
**E-Mail/Fax: Time to Respond (4 to 48 hours)**

**Contact Centre Satisfaction Metrics**

**Internal Customer Satisfaction Survey**

**Customer Service Quality Metrics**

**Payroll Overpayments**  
**Payroll Run errors**

**Customer View Metrics**

**Delivery survey (Past calls/fax/mail)**  
**Listening Observations**



Source: "HR Shared Services: Determining the Scope, Scale and Structure", Corporate Executive Board, 2006



# Issues in shared services management

***Don't fool yourself that everybody will welcome change with open arms ...***

- There will be a very natural business resistance – even if current service is patchy
- Loss of face-to-face and more remote relationship with business
- Substantial start-up costs for facility and technology
- Loss of jobs due to consolidation
- Personal computers (Initially 9000 employees did not have a PC)
- Password resets (500 resets per day – admin burden)
- System performance (6000 concurrent users)
- Unapproved workflows
- Career paths for shared services staff
- Skills requirements (Shared services staff require additional customer service skills)



## Key lessons learned

***In our experience the following factors make a difference between success or failures in transformation***

- HR and Business must design the shared services model together so that both know exactly what the service delivery expectations are and how the new model will change and improve current operations.
- Put the anticipated “improved service” and “one voice” approach to business communications around the goals and achievements – however be cautious of “overselling” which could lead to disappointment if not met
- Sometimes, for the sake of change and progress, some unilateral designing is the answer
- “e” is not always the answer.
- Focus on success stories as told by business and not only HR
- Quick wins sell projects!
- Difficult to get employees to perform transactional activities themselves if HR staff are still there to do it for them



# Sustaining the value of shared services

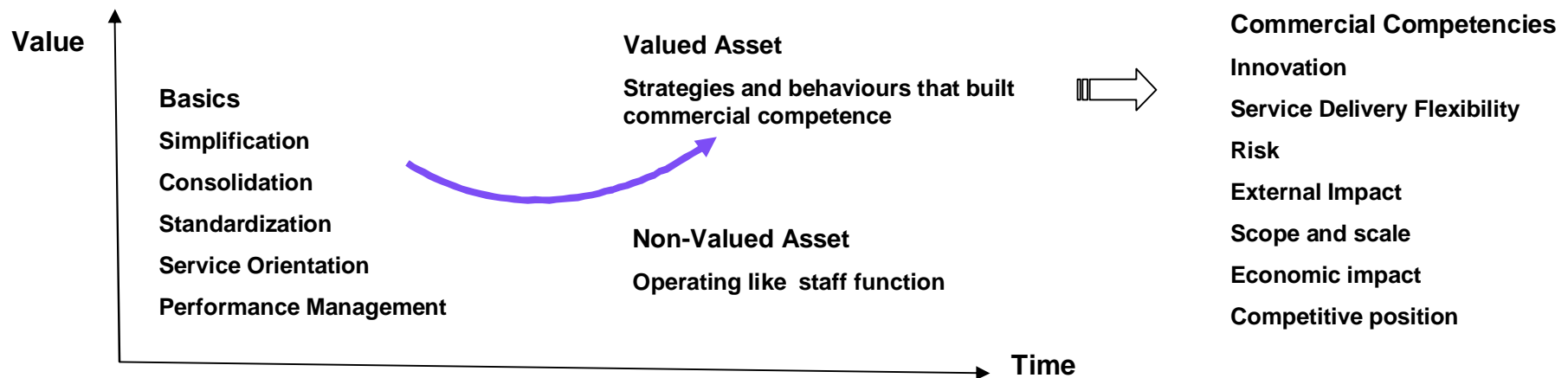
*Initially we simply put processes and people in a central hub (Centralization – Basic Model)....*

- The focus was to reduce costs and to keep quality standards whilst we re-engineered processes, implemented self-service and so on
- The centralized environment provided service solely to internal BU's – services are mandatory and not under pressure to be efficient

*Since then we have re-engineered the centralized environment to function in a more competitive and business-like way (Shared Services – Marketplace Model) ....*

- The main objectives is still cost reduction but with a higher level of service quality and an improved internal service delivery relationship
- Higher degree of automation
- The Shared Services Centre also broadened its processes' scope to offer professional and advisory services beyond pure transactional processing
- The Shared Service Centre may also provide its services externally to Telkom Subsidiaries, but only with surplus capacity

*What improvement path are you on .....*



Source: Bob Cecil and Dan Henderson, JP Morgan Chase, EDS, AlliedSignal/Honeywell



## Some food for thought



**Jim Collins' 2001 bestseller *Good to Great* explains how most companies never become great because they are already good.**

**They have become prisoners of their past – not feeling any need to push boundaries, innovate, prepare for the unexpected, stretch themselves or make the necessary changes to ensure sustainable success.**

**In the 21st century, this is a recipe for disaster**



Source: "Jump Before You pushed", Dr Graeme Cardington, HR Future 03.2007 Edition



Questions?

