SAP Best Practice Workshop for HR
HR Service Delivery Model – Review and Outlook

March 08-09, 2012
Budapest, Hungary

Kindly hosted by Nokia Siemens Networks

The Topic of the Workshop
Companies have implemented HR Shared Services for nearly a decade now to support the business with standardized and repetitive services. For many, the business case was often cost reduction, increased efficiency and improved process ownership and transparency. Today, many companies are still facing some challenges and re-evaluate the true value-add of the model. Last but not least, others are already making the shift from shared service centers to business centers.

Together with senior executives representing leading global organizations, we will try and answer the following questions:

- When can you consider that your shared services center is “mature”? What are the quantitative and qualitative benchmarks and KPIs?
- How can you achieve the best possible task split between the shared services center and other components of the HR organization, including centers of expertise and business partners?
- How much change management is required to make the model work?
- How can you optimize the “multi-tier model” and make better use of technology, e.g. portals and self-services for employees and managers?
- How can you find the right governance model for your organization and define the borderline between centralized and decentralized processes?
- What are the latest trends? Are business centers the next practice?

Link to the presentations:
You will find the link to the presentations here.
1. AGENDA

Setting the Scene: Excellence in HR Service Delivery is the Foundation of a Sustainable HR Strategy
Eric Brunelle, Chief Solution Architect, Executive Value Network, SAP

“Excellence in HR Service Delivery is the foundation of a sustainable HR strategy” was the statement that Eric Brunelle has started his speech. He emphasized the purpose of the Executive Value Network where a sustainable engagement in a SAP community of practice (like our Executive Value Network, EVN) plays a vital role. Our goal is to help EVN network members to become a “best run company” and esp. a best run HR function. Overall, the EVN supports you in “crafting your future” better.

This Best Practice Workshop focuses on the HR service delivery. To refresh the minds Eric did a recap on the HR service delivery of the past decade. The evolution showed how the collaboration approaches changed from a centralized operational excellence approach via a decentralized approach (in the sense of distributing and reallocating activities to employees and line managers, up to a “service” approach with external service providers (e.g. BPO provider).

The most common deployed HR model is the “three leg” model from Dave Ulrich with operations, CoEs and Business Partners. The operations part has a portfolio of different delivery options ranging from self-services for employees and managers, shared services, outsourcing up to fully automation of HR activities. Shared Services is meanwhile a well accepted and established delivery concept in HR. In reality hybrid models are common place and often bundled together in a “multi-tier” phased approach. Allocating or rearranging end-to-end tasks requires to split those process activities between the different actors (e.g. shared service, local business unit, outsourcer). New resource assignment creates new challenges, esp. for the resource category people. In both problem areas (process split and people issues) we would like to explore the current and future practice in two separate breakout sessions.
**Day 1**

**March 8**

<table>
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<th>Time</th>
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| 8:30 - 9:00 | Setting the Scene: Excellence in HR Service Delivery is the Foundation of a Sustainable HR Strategy  
Eric Brunelle, Chief Solution Architect, Executive Value Network, SAP |
| 9:00 - 9:30 | Introduction of Participants and Their Expectations  
All participants |
| 9:30 - 10:30 | The HR Service Delivery at Nokia Siemens Networks: The Journey  
Elke Saagor, Head of HR Connection Organization for West and South Europe, NSN |
| 10:30 - 11:00 | Enjoy your refreshment break |
| 11:00 - 12:15 | Maturity of Shared Service Centers and Market Trends and Open Discussion  
Tom Bangemann, VP Business Transformation, The Hackett Group |
| 12:15 - 13:15 | Enjoy your networking lunch |
| 13:15 - 14:15 | Breakout 1: “Finding the right Task Split between the Shared Services Center and the other Actors of the HR function”  
Moderator: Dr. Franz Hollrich, Business Solution Architect, EVN, SAP  
Breakout 2: “Dealing with HR Challenges in Shared Services: Recruiting, Onboarding, Learning, Employee Retention”  
Moderator: Eric Brunelle, Chief Solution Architect, EVN, SAP |
| 14:15 - 14:45 | Presentation of Workshop Results by Participants |
| 14:45 - 15:00 | Enjoy your refreshment break |
| 15:00 - 16:00 | Dave Ulrich’s Model: What’s Next? How Key Challenges can be dealt with by implementing a Chief Operation Officer for HR (CDO HR)  
Jörg Staff, SVP HR, SAP |
| 16:00 - 16:30 | Free time |
| 16:30 - 16:45 | Transfer to Nokia Siemens Networks |
| 16:45 - 17:45 | Guided Tour of the Nokia Siemens Networks Shared Service Center  
Attendees will visit the center in two groups |
| 17:45 - 23:00 | Enjoy the Evening Event and a Networking Dinner |

**Day 2**

**March 9**

<table>
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<th>Time</th>
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| 8:30 - 10:00 | Extending the Range of HR Shared Services - History and Overview, Case Study Recruiting Services  
Jürgen Lahr, VP HR Governance and Jürgen Ziereke, Head of Recruiting Services, BASF |
| 10:00 - 11:00 | The HR Shared Service Deliver Model at Shell  
Steve Kendrick, HR Global Operations Support Manager, Shell |
| 11:00 - 11:30 | Enjoy your refreshment break |
| 11:30 - 12:30 | The HR Service Delivery Model at Vestas  
Bernhard Ehret, VP of Operational Excellence, Vestas |
| 12:30 - 13:30 | Value Discovery: How Value Engineering can help you assess your current Practice and benchmark against your Peers  
Markus Gerlach, Value Engineering, SAP |
| 13:30 - 14:15 | Closing Remarks  
Eric Brunelle, SAP |
| 14:15 - 15:00 | Enjoy your networking lunch |
| 15:30 | End of the event - Have a safe trip! |
2. INTRODUCTION OF PARTICIPANTS AND THEIR EXPECTATIONS

Participants came from 9 different countries and industries ranging from chemicals, pharmaceuticals, Oil&Gas, energy production and distribution, banking, insurance, wholesale consumer products over manufacturing to IT and telecommunications.

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<td>Julius Baer Group</td>
<td>Head Strategic HR &amp; Projects</td>
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<td>Metro</td>
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3. THE HR SERVICE DELIVERY MODEL @ NOKIA SIEMENS NETWORKS: THE JOURNEY

Elke Saager, Head of HR Connection, WSE, Nokia Siemens Networks

Nokia Siemens Networks which is jointly owned by Nokia and Siemens, is a leading global provider of telecommunication infrastructure hardware, software and professional services. The company is offering a complete portfolio of mobile, fixed and convergent network technology, as well as professional services (consultancy, systems integration services, deployment, maintenance, managed services). NSN operates in 150 countries, its headquarters are in Espoo, Finland.

The Shared Service organization at Nokia Siemens Networks (NSN) started 2008, one year after the foundation of the company. Each country had its own local HR department. The situation was characterized as:

- Different teams (organization)
- Different business processes
- Different services (scope of services and service portfolio)

This caused a lot of confusion, complexity and complaints. As a consequence a pre-harmonization was required which guided their design to 5 building blocks (employee and manager services, HR consultants (for a specific business unit), Business
HR (strategic, long term, region level), Operational Excellence (business development and people strategy for global processes) and Center of Expertise (functional expertise).

An ultimate goal was to enable each region to guarantee an equal customer experience, having one way of working, having a global standard process and the same scope of services. NSN decided to concentrate on the centralization at sub-regional level (starting with 5 European sub-regions). The main lever to achieve harmonization was to standardize the HR connection channels (phone, email, intranet) and the harmonization of the payroll. The unification in the 5 sub-regions required a harmonization of the working conditions (process, policy, benefits and contract).

From implementation perspective one common and phased approach (global, global-local, all processes) was a preferred solution for the transition. A consolidation into two European hubs was recently introduced. Today NSN is still working on the goal to achieve the same service level across the entire organization. A further consolidation into one HR European Connection Channel is in progress.

4. Maturity of Shared Service Centers and Market Trends

Tom Bangemann, Vice President Business Transformation, The Hackett Group

The Hackett Group, a global strategic business advisory, operations consulting and enterprise strategy firm, is a leader in business best practices, business benchmarking and transformation consulting services including strategy and operations and globalization advice. Customer industries range from industrial products, over pharmaceuticals to financial services. In 2009, The Hackett Group reported revenue of $142.7 million.

Tom Bangemann has been with The Hackett Group for 9 years. He headed the European Advisory & Transformation businesses before focusing on Business Development and the Globalization practice for EMEA. Tom has worked on numerous advisory, consulting, auditing and benchmarking engagements in almost all functions of a company, with a deep expertise focus on the World-class performance of companies, especially in the Finance function. His experience includes a set of over 60 globalization/sourcing projects covering all the phases of the business process sourcing journey from pre-assessment through feasibility to optimization of existing shared service and outsourced organizations.

The world remains full of potential disruptions (e.g. inflation, social unrest, political conflicts, natural disasters) which lead to millions of job losses. A recent survey by Hackett (2012) showed that (among accelerating revenue and growth of margin) “looking for talent” remains critical. Dealing with “talents” is leading the list as the top six priorities in the HR agenda, followed by service delivery strategy as a common theme (5 priority items), followed by cost management issues on the bottom of the list.

World class companies deliver greater effectiveness and efficiencies at lower cost. Outsourcing and investment in technology are the necessary levers to reduce the labor costs. There is a substantial gap in the “Total HR cost per employee” of 28% visible between a world class company and the associated peer group.

From the service delivery perspective there is an equally placement of transactional and knowledge based tasks in a shared service environment.

A highly interesting question is the evolution of Shared Services. Are Global Business Services (GBS) logically the next step? Tom explained that there are three stages of such a transition from pure Shared Services play into Global Business Services. The maturity level starts with only function oriented activities which will evolve potentially to process/service centric activities and end up finally in highly value centric activities.
The HR function expects to become **increasingly global** and until 2015 there are initiatives already on the way. Top performers move to a more global operating model is today and will be even in 2-3 years a dominant direction (89% indicated an increased globalization of the service delivery).

Looking at the transition period to Shared Services or outsourcing the desired benefits are mostly realized in the stabilization phase. This phenomenon is called the **“hockey stick effect”**. Quality and productivity measures experience a dip at the initial transfer but recover quickly during the stabilizing phase. **Self service** solutions (for employees and managers) are still the leading approaches when it comes to initial investment and future investment plans. There is still a huge gap in the assessment of HR process desired effectiveness and importance. This applies especially to processes like recruiting and staffing, compensation planning, strategic workforce planning, workforce development services.

At the end of his presentation Tom gave a general update on the **Shared Service and outsourcing market**. Worldwide more than 4200 Shared Service Centers operate globally. Top locations are in Asia/Pacific. China and India are almost on every short list for current globalization initiatives. European companies prefer to move a substantial portion of their workload to countries in Eastern Europe. A thoroughly calculation on labor arbitrage benefits of the location China showed that it will take 20 years and more until we will reach effective parity.

Where is HR service delivery heading in the next 3-5 years?

Technology was, is and will be a major enabler and driver. Almost every company invests in automation. The “cloud” adoption will help to make it available to more companies. Hackett estimates that automation will eliminate as many jobs as offshoring. Significant change management and labor issues are expected in the near future. Outsourcing will grow especially for the less mature and lower performance organizations. **Center of Expertise (CoE)** will experience a higher importance due to the fact that even higher value jobs will be split between high and low cost locations (economies of skills). Hybrid process sourcing models will increase further and captive shared services will be the dominant delivery model. Nearly half of the current HR work will be extracted from the functional hierarchy and transferred into a multi-functional or even a cross functional global business service delivery unit with a unified governance model. The move to global process responsibility will lead to higher strategic importance of business service organizations.

5. **Open Discussion**  
*Moderator: Tom Bangemann, Vice President Business Transformation, The Hackett Group*

A special time slot was reserved to provide plenty of opportunity to ask and discuss questions on the current state and future of the HR service delivery directions. This dedicated time for discussions was well perceived and encouraged the audience to lively participate in sharing open insights of this complex service delivery landscape.

6. **Breakout 1:**  
**“Finding the right Task Split between the Shared Services Center and the other Actors of the HR Function”**  
*Moderator: Franz Hollich, SAP*

The goal of this breakout session was to discuss: How can you achieve the best possible task split between the shared services center and other actors of the HR organization, including centers of expertise and business partners?

There are many options which we have to consider when it comes to splitting tasks. For example is the split between people centric and system centric (automation) a common approach. Another view can be the split according to Dave Ulrich’s model where mainly three actors are involved: The HR Shared Service Organisation, the Center of Expertise and the business partner. Distributing activities with a shared responsibility requires a split of the process between the
different actors. But, not all companies have a common view on the
- portfolio of HR processes
- contents of certain processes, subprocesses and activities
- characterization of processes (e.g. personal interactivity, regionalization/localization, structureness)
- degree of interactivity between the parties
- assignment of execution responsibility to the different actors
- Supporting limits of the enterprise IT system landscape capabilities
- internal organizational constraints (e.g. culture, policy, commitments)
- external local legal, regulatory compliance issues

Based on this understanding two questions we put focus on: 1. How did the company split the HR activities and what was the major decision criteria? 2. How do they know that this was/is a good split?

As a free, open informal approach to get some insights into this topic no structured results was recorded. As a common result in such a short discussion time most of the participants seem to follow an activity segmentation/classification model like:
- Global activities
- Global-Local activities
- Local-Local activities
- Local (pure local activities)

Regarding the “good fit” there was no clear answer extractable. Benchmarking with peers was mentioned as a way to evaluate their business process performance.

7. Breakout 2:
“Dealing with the HR Challenges in Shared Services, e.g. Recruiting, Onboarding, Learning, Employee Retention
Moderator: Eric Brunelle, SAP

Eric breakout discussions focus on attraction, motivation and retention in an SSC context. When it comes to motivation, companies have invested a lot of time, energy and budget on creating a culture in the SSC similar to the retained enterprise and further implemented special working arrangements where applicable and required, e.g. for women. One senior executive from a leading German company is even available for communication to SSC agents via a blog and committed to answer their questions within 48 hours. From a retention standpoint, most companies are facing the same challenges and have to cope with the same high attrition rate around 25%. Some have defined specific career paths and offer perspectives to the best agents in the center. A leading company is offering SSC agents jobs at the headquarters but mobility is obviously a challenge. Many participants confirmed their organization is running regular employee surveys and turn the results into a call for action as to how working conditions and satisfaction can be improved. Managers are being sent to leadership courses so that agents can get better engaged and perform.

8. Dave Ulrich’s Model: What’s next? How key challenges can be dealt with by implementing a Chief Operating Officer for HR (COO HR)
Jörg Staff, Senior Vice President, Human Resources, SAP

Megatrends as universal, global, robust and persistent trend with huge impact on fundamentals of the world have a strong influence on the HR strategy in every company. Trends like the demographic change, sustainability, value changes, health and technological innovations will shape the organizations future. As like any HR strategy an alignment to the overall company business strategy is necessary and mandatory. SAP has decided to focus on customer success, employee motivation, growth and a reasonable profit margin. The concentration on five markets (applications, analytics, mobile, technology & database and cloud) set the foundation and requirements on a people strategy.

SAP has worldwide established a couple of business service centers which perform HR activities. As like many other companies SAP experienced service challenges which must be improved. For example, there is a lack of communication/collaboration between the pillars (HR business partner and the SSC), dissatisfaction SSC staff, process owner and responsibility clarity issues, difficulties
in managing the various customers touch points as a “face of HR”, etc. This leads to the fundamental question on how should the HR organization move to: “HR as a Sherpa” or “HR as a People Steward”? SAP’s journey of HR Shared Services started in 2005/2006 with a decentralized regional model. Globalization and optimization initiatives took them now to the beginning of a stage where HR acts as a People Steward with a tight alignment to the businesses. Jörg shared with us his roadmap for success which consists of an orientation on the maturity curve and process transparency and clarity. SAP’s process landscape is broken down into 3 levels which cover the categorization of all HR activities.

An evaluation of the process landscape based on achieved maturity and cost position discovers a plan for proposed action for each HR process. Today three major channels are established with an intended sequential mode of usage:
- Click (keyboard type access to a portal, self-services)
- Call (phone)
- Come-in (personal interface to employees for counseling in various matters)

Todays fragmented view on tasks and services, multiple contact channels and delivery channels per service will be replaced by a common service catalogue in the future with one view on all services and one delivery channel per service with clear HR interfaces. This will be the foundation and framework for a future proactive process optimization.

9. BUS TRANSFER TO THE NOKIA SIEMENS NETWORKS CENTER
Guided Tour of the Nokia Siemens Networks Center

March 9th, 2012

10. Extending the range of HR Shared Services: History & Overview, Case Study Recruiting Services
Jürgen Lahr, Vice President HR Governance, BASF
Jürgen Zierke, Head of Recruiting Services, BASF

As the world’s largest chemical company BASF operates in a variety of markets. The six business segments are chemicals, plastics and agricultural products, among others, which are supplied to customers in over 200 countries. BASF’s six business segments contain 15 divisions which bear the operational responsibility and manage our 70 global and regional business units. The divisions develop strategies for our 76 strategic business units and are organized according to sectors or products. Group wide services (finance, investor relations, communications, human resources, research, engineering and site management) are provided by 3 central divisions, 5 corporate departments and 10 competence centers. Headquartered in Ludwigshafen am Rhein (Germany), the BASF has subsidiaries and joint ventures in more than 80 countries. In 2009 the company yielded sales of €50 billion and employed 104,000 people. In the last two decades the company invested €5.6 billion in order to open up the Asian market.

One of the biggest challenges for HR in the past was the functional leadership. With a presence in almost any country in Europe with 208 legal entities and activities in different industry segments (chemicals, oil & gas, agriculture, professional services, etc.) lead to complex HR functions and processes. Today the European functional leadership is cascaded down to 4 levels (HR Europe, HR Head of Business Center, HR Country Manager, HR local Manager). The BASF Europe Service Center acts as a central service provision and
harmonization lever. By Q1/2012 90% of the European BASF staff gets the full HR service.

For this workshop BASF shared with us the challenges on a specific emerging process category: **Recruiting**.

After a thorough analysis of emerging topics like increased internationalization, changing demographic structure, new generation, new technology and skill requirement, BASF came to the conclusion that the company will face a workforce shortage by 2015 even by higher immigration considered. Recruiting becomes essential to counteract on this scenario. Projects and programs are launched in the areas of employer branding, talent management, application process improvement and internal labor market visibility. Previously locally driven recruiting processes with a low transparency and reach will be replaced by a cross company and cross border recruiting policy. The central service unit in Berlin is the only contact point for internal and external applicants in Europe.

Local HR is responsible for local recruiting processes such as:
- ensure local staffing priorities (“priority check”),
- conduct leasing check,
- support candidates on their interview day
- the on-boarding of new hires
- negotiation offering conditions and handling contracts

There is a **Center of Expertise (CoE)** in Ludwigshafen which deals with **Talent Resourcing** (designing and executing marketing activities across Europe) and **Policies & Programs** (expertise on recruiting strategies and predefined programs such as Channel Management, Relationship Management, Employer Branding, Selection & Nurturing, European Talent Pool and Funding & Sponsoring). The roll-out phase is nearly finished. The Netherlands and Italy will be fully serviced by mid of 2012.

11. **HR Shared Service Delivery Model at Shell**

Steve Kendrick, HR Global Operations Support Manager, Shell

Shell is a global group of energy and petrochemicals companies with around 93,000 employees in more than 80 countries and territories. They operate a distribution network of 43,000 fuel service stations and have approximate 10 million customers per day. In 2011 the revenue was $470.2 billion with an income of $31.2 billion.

Shell changed their operating model at the time they introduced the Shared Service concept years back. An explicit distinction was made between processes executed by the service center, center of expertise and local organization (business and countries). To ensure an effective and efficient execution a central global process and governance was established. Shell uses four basic design principles to rearrange and engineer business processes:

- eliminate
- simplify
- standardize
- automate

HR processes are heavily influenced by the legal and cultural environment. Thus the introduction of process categorization according to the applicable “reach” is helpful in the decision which processes should be governed and/or executed globally versus locally in different flavors. Shell uses a HR process matrix with:

- **Global** (=Everyone globally will follow the same process. May be different in details, such as different forms e.g. Domestic Transfer)
- **Global-Local** (= Every Country does it and will do it the same, unless legal differences required e.g. Hiring)
- **Common Local** (= Many countries follow the same or similar processes, e.g. Misc. Payments, such as transportation allowances)
Local-Local (Only occurs in a single or few select countries. Policy and/or process may be subject to local legal/fiscal requirements, e.g. STC Service Gratuity)

At the same time a classical multi-tiered service deliver model is introduced. The distribution of the workload across the multiple tiers should have: Tier 0 (HR online): 50 %, Tier 1 (HR service desk): 30 %, Tier 2 (Transaction/ Case Workers/ Subject Matter Experts): 15 %, Tier 3 (HR Business Partner/ HR Specialists): 5 %.

The reality of the workload on the multi-tiered model looks today different to the ideal shape of the yellow triangle.

To monitor the HR service activities a global dashboard provides the performance figures on a monthly basis. By January 2012 most of the regions reached now the first time a target range of 90 % compliance.

In a retrospective view the following went really well:
- Transaction case volumes.
- Joining up, business partnership.
- Individual customer satisfaction scores high.
- One of the largest in house shared services operations, operating effectively.
- Use of data to help highlight process improvement areas.
- Service Centre staff motivation levels and morale.

On the other hand there are still some challenges to be solved like: Data quality and accuracy, SAP system functionality/flexibility of IT enhancements, Process efficiency – still room for improvement both in design and delivery, challenging to follow defined process yet still generate improvement ideas, Reconciling performance metrics with feedback from customers on the ground, Ability to innovate.

12. HR Service Delivery Model at Vestas
Bernhard Ehret, Vice President of Operational Excellence, Vestas

With a total of 46,143 turbines or 49,332 MW installed worldwide as per 31 December 2011, and with more than 30 years of experience in developing, manufacturing, installing and maintaining the world’s best-performing wind turbines, Vestas is the world leader in wind technology. Today Vestas has a footprint in more than 70 countries. Over 23,000 employees are committed to ambitious goals on revenue (6.5-8 b€) order intake (7-8 MW) and EBIT (<4%).

After tremendous growth in the last couple of years VESTAS is currently in a consolidation phase. The company requires a new people and culture business model. The HR function aims to be a true strategic partner for the business. Four different actors are in their HR concept:
- Business Partners (advisor to the businesses, people development)
- Global competence Center (design and build global programs)
- Shared Service Center (administration and transactional processing)
- Employee and managers (consume services, use self-services)
To succeed in their ambitious goals VESTAS saw a need for a broad transformation exercise in 2011 touching all organizational elements of management, process, people and tools.

What are the **lessons learnt** during this overarching transformation exercise?

- Ensure Executive Management buy in
- Avoid bypassing of Business Model
- Close monitoring of a holistic HR Business Case
- Define Targets and Ratios by Service teams
- Shared Services Framework reporting as a foundation of Performance Management
- Build and follow Global SSC Structures
- Focus on "impacting the frontend"

Vestas implemented a **classical multi-tiered HR processing** approach with Shared Services as the frontend and service delivery backbone.

Like many other companies the primary goal to use self-services (employees and managers) in the portal as the first start regarding HR related questions and issues. If no resolution could be found in a second step a service hub can be called or contacted. Ultimately the problem will be forwarded to specialized functional service teams and/or local business partners assigned to the location.

In their opinion this concept only works if the following operational **Shared Service guidelines** are followed:

- Excellence in Service approach
  - Availability
  - Timely response
  - Service attitude, service orientation
- Consistency
  - in resolutions provided
  - Service Quality, avoid tickets re-opened
- Focus on Customer Value add
  - "not my business" in not an option
  - are there other impacts?
  - alternative options?
- Continuous Improvement
  - let the Knowledgebase grow!
  - Think lean!
  - Wear Customers shoes!

**13. Value Discovery: How Value Engineering can help you assess your current practice and benchmark against your peers**

*Markus Gerlach, Value Engineering, SAP*

Markus gave an update on the SAP’s Value Lifecycle Management approach which consists of three foundational phases:

- Plan (discovering value, identify the value)
- Build (implement the change)
- Run (realizing the business benefit)

For HR SAP offers performance benchmarking studies and best practice survey since a couple of years.
The online tool for participation in SAP’s benchmarking program is free of charge. It covers content from 20 industries and more than 450 proof points of business transformation studies. Markus encouraged the EVN network members to participate in SAP’s benchmarking exercise.

At the end he showed the “Next Generation Benchmarking” with a highly interactive “Apps-component” (iPad) of mobile usage for entering and visualizing output of benchmarking results.