

# Case Study

## Aer Lingus HRO

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### Background

Aer Lingus, a national airline of just under 4,000 employees turning over €1.2 Billion, was striving to stay ahead in a ferociously competitive market.

It was aiming to maintain the high standards of service associated with much larger flag carriers at the same time as competing on price with budget airlines.

### Brief

Operating losses in 2008 and 2009 led to a fundamental refocusing and turnaround of the business. HR was tasked with redefining its role, contribution and cost base in support of the turnaround.

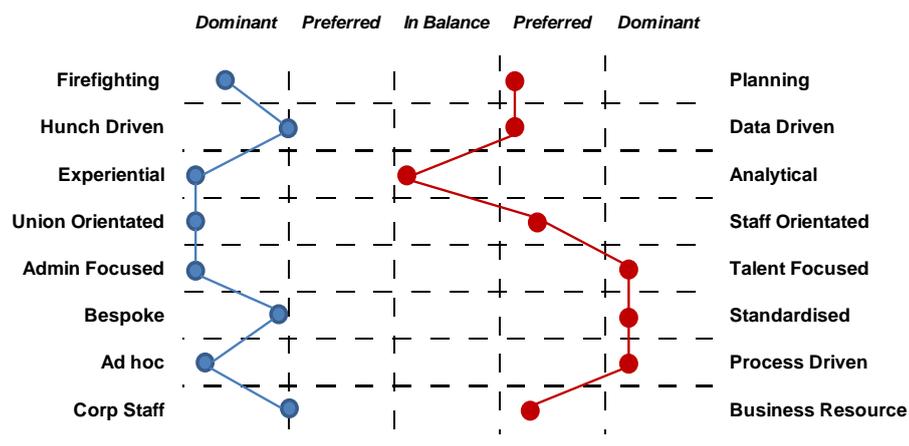
The brief was to reduce the costs and inefficiencies of HR administration services and upgrade and rationalise HR systems. This HR Efficiencies project was to run in parallel with a separate "Strategic HR" project intended to overhaul HR capability at the same time.

### Analysis

#### Vision

The Culture Map (Fig. 1.) suggested that HR wanted to be talent focused, standardised and process driven whereas in practice it was orientated towards admin, ad-hoc processes and experienced-based decision making.

Figure 1 HR Culture Map



#### Time Inventory

The Activity Analysis supported these findings.

Less than about 5% of HR resources were directed towards business consultancy, change management, employee engagement, culture, talent management and leadership development.

The vast bulk of HR effort was directed towards Payroll and HR Administration.

More surprising was the finding was that half of work defined as "HR" had devolved to several independent administrative units in the business resulting in actual HR resources amounting to twice the effort expected.

### Process Assessment

The assessment of processes & systems went a long way to explain the considerable administrative HR effort.

Processes were intensely manual, there was an extremely high incidence of exceptions and process variations and over 10 separate systems applications were used to supply HR services.

The assessment also identified that a considerable amount of administrative complexity and variance was driven by policy. This on the one hand meant that, theoretically, the complexity could be reduced, but, on the other hand, it meant that in reality, in a unionised environment, it was unlikely to be reduced.

### Skills Inventory

The HR Skills Inventory reflected the dominance of administrative work in HR. Even so, the cost of supplying services was higher than the national average, driven mostly by legacy pay increments coupled with low turnover and high seniority levels.

### Business Readiness

Resistance to change was low and recognition of the need for change was high. There was a single brand and national identity and a relatively high level of technology penetration with large sections of the workforce.

The main obstacle to change was the extremely high level of process variation and the cultural expectation that exceptions were a mark of high quality service.

## Solution

### Full-Scope HR Outsourcing

An HR outsourcing solution was devised to address HR's costs, administrative services and systems. The project was implemented alongside complementary improvements to HR's strategic capability.

The scope of the services included in the outsourcing solution were payroll, HR administration, recruitment, security checks, training administration, talent management and performance management for employees based in Ireland.

The delivery solution comprised of a shared services centre, an integrated HRIS and on line self-service for managers and employees.

NGA HR was selected as the provider, supplying their proprietary ResourceLinkAurora HRIS as part of the service.

### Hybrid Services Centre

The need to transfer "soft" HR knowledge and the desire for high levels of professional interaction between the Service Centre and retained HR staff resulted in the development of a "hybrid" service centre embedded in the Aer Lingus facility at Dublin airport.

### Online Self Service

The Service Centre was supplemented by a comprehensive online, end-user interface for manager and employee self-service, a payroll support unit in Dublin city centre and UK based hosting.

### Integrated HRIS & Stable Payroll

The stability of payroll was a critical solution driver because of extremely complex pay policies.

Additionally, the disparate IT applications landscape, meant that an integrated HRIS was also important.

Consequently, the solution included a proven payroll system and integrated HRIS at the expense of fully compliant Talent and Performance Management functionality.

These solution decisions meant that Aer Lingus both achieved an integrated systems solution and stayed relatively up-to-date on the functionality front.

### Future System Functionality Design

On the other hand, the integrated solution, heavily influenced by proven payroll, was not as "sexy" as new generation, on-line HR software and "best of breed" solutions.

Moreover, in choosing under-developed Talent & Performance management functionality, Aer Lingus also committed itself to future product design collaboration that introduced significant risk into the implementation phase of the transformation.

## Implementation

The full implementation took about 3 years.

This was divided roughly into 1 year evaluation and preparation including sourcing, and 2 years implementation.

Additionally, the project plan had to be aligned with the "Strategic HR" project.

### Sourcing & Contracting

The sourcing and contracting phase, including business case development, lasted about 8 months and resulted in NGA HR being selected as the provider which most closely fitted the selection criteria.

Contracting discussions were comprehensive.

They addressed all principle operating matters up front including a detailed Statement of Work, Governance, Service Levels, Service Credits, Incidents & Issues Management, Transformation Deliverables, HRIS specifications and Change Control in addition to commercial matters.

### Project Execution

The services were launched by process in the following stages:

- Recruitment Services deployment.
- Payroll, HR Administration and the Service Centre.
- Self-Service and Performance Management.
- Talent Management.

## Recruitment Services

Recruitment Services involved deploying online applications processing to replace manual handling and was launched as a stand-alone service.

The most difficult part of the services to stabilise turned out to be security checks. This was because of the unique nature of security clearances at airports, the reliance on external agencies and the limits on automation.

## Payroll, Admin and Service Centre

Payroll involved migrating from one system to another.

Additionally, because the bulk of administrative services were related to Payroll, it made sense to launch the Service & Call Centre at the same time.

However, the new HR Administration processes were dependent on self-service, so the service centre was launched with administrative processes in the "As-Is" state.

The most influential factors on the service centre launch were comprehensive knowledge transfer, agent training and certification, and the business readiness/launch management. The key to payroll quality assurance in payroll was parallel running

## Self-Service

Self-service was deployed following the stabilisation of Payroll and Service Centre services.

All self-service, except that supporting talent management, was launched at the same time, allowing all administrative processes to switch from manual "As-Is" to the online "To-Be" state simultaneously.

Also, Performance Management switched from a stand-alone application to the integrated solution at the time that self-service became available.

## Talent Management

Of all the service areas, Talent Management was most dependent on the future system functionality that was under development.

However, a manual version of the redesigned Talent management process had been implemented early on in the transformation as part of the "Strategic HR" project.

The last part of the outsourcing project, therefore, entailed deploying the new system-supported, online version of the process.

## Staff Transfer (TUPE/ARD)

From the sourcing stage it was expected that few Aer Lingus employees would transfer to the vendor, and in actual fact, only a couple of affected contractor staff transferred. Aer Lingus succeeded in redeploying all other affected employees productively into vacancies elsewhere in the company.

## Knowledge Transfer

A high level of importance was placed on developing the knowledge and skills of the Service Centre employees.

A 6-9 months Knowledge Transfer activity was implemented in which Aer Lingus employees trained NGA staff in "soft knowledge", exceptions and anomalies.

Additionally, Service Centre staff took over from Aer Lingus HR employees as they were redeployed to other duties, thereby extending their experience further and facilitating early redeployment.

As a result, Service Centre Agents' training was not left just to the provider. Aer Lingus, as the buyer of the services, took practical steps to assure the quality of provider staff.

### Organisation Change Management

The approach to change management was entirely integrated into project management. The design of the solution, the realisation of benefits and the assurance of implementation quality were therefore key change drivers in their own right.

Consequently, rather than be concerned only with comms and training, the change manager was heavily involved in the design of processes with complex and sensitive user interfaces.

Per Debunk's standard practice, communications management was divided between ongoing project communications and a very specific launch sequence. Readiness was addressed both in terms of Business Readiness and Services Readiness.

### Quality Assurance

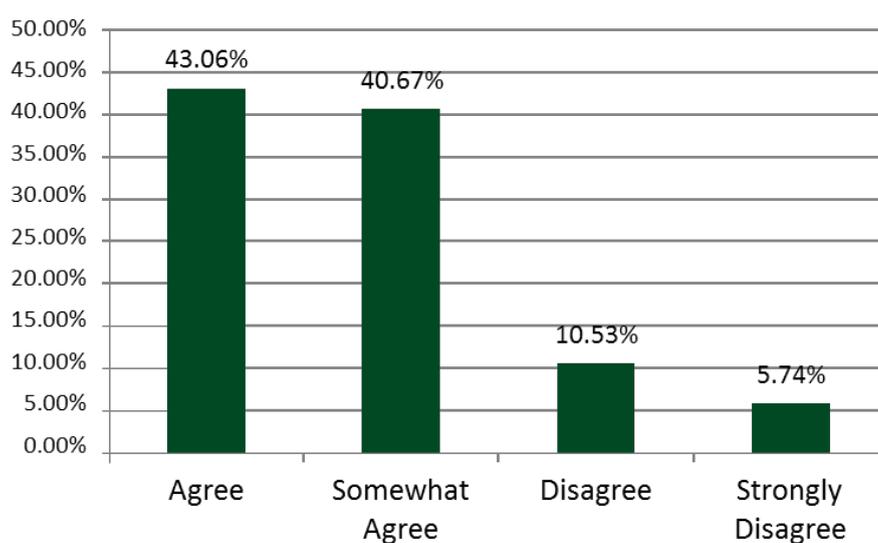
Debunk's Project Management and Quality Gate criteria methodology was applied throughout. The method was governed by contract and was linked to project payments.

## Conclusion

The deal was signed in 2012. Contract service levels are stabilised and the outsourcing has passed 3<sup>rd</sup> party audit with flying colours.

The 2013 customer survey results (Fig. 2.) demonstrate that services have clearly been a success with 84% of respondents agreeing.

*Figure 2 Consolidated Survey Results*



The survey respondents were selected at random and were asked to respond to 8 positive statements regarding different aspects of the services.

Nevertheless, there are always improvements that could be made and our top 5 learnings from delivering HRO for Aer Lingus are:

1. The hybrid Service Centre approach of basing provider services on site and undergoing a lengthy embedding process founded on high-quality knowledge transfer was an unqualified success.
2. A substantial amount of data migration could follow standard IT methodology because it was a system to system migration. However, a great deal of training information was handled manually and the migration of the manual data required significantly more effort than normal migration to ensure accurate definition, mapping and cleansing.
3. The decision to separate Self-Service launch from payroll administration outsourcing was vindicated. Essentially, both require the level of focus that precludes joint deployment unless separate teams of resource can be devoted to each. Even then, the problems of coordinating how the one set of functionality works with the other might not be worth the risk.
4. Although Aer Lingus made the decision to go with optimising an integrated systems solution, the appeal of Best of Breed was difficult to overcome. Interestingly, employees themselves rarely shared HRs devotion to Best of Breed, and were far more prosaic about technology.
5. Not untypically, true process transformation proved elusive in some cases. Despite redesign workshops and blueprinting, the pull of current approaches can be gravitational, requiring expert intervention to open up the "To-Be" design possibilities.

#### Authors

The authors of the study are Margaret Oke, Rich Hodge and Paul Davies of Debunk who led the visioning, sourcing and implementation of Aer Lingus' HRO.