

# Case Study

## GM Europe HRO

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## Background

After a successful Nineties GM Europe (GME), an auto manufacturer of about 60,000 employees, entered the new millennium challenged by adjusted losses of \$767m in 2001 and \$549m a year later.

The parent company, GM, was beginning a global rationalisation programme designed to reduce the crippling costs associated with proliferation of systems, vehicle platforms, manufacturing units and brands and the European region was charged with getting on board.

## Brief

The task for GME's HR function was to organise all its regional resources less as a loose confederation and more as a cohesive whole, reducing the costs of HR in the process.

Additionally, the European region was required to implement the global HRIS strategy which meant implementing a global instance of PeopleSoft HRIS in conjunction with a common SAP European payroll solution.

The brief therefore was to reduce costs while funding significant HRIS deployment.

## Analysis

### Independent Fiefdoms

HR in Europe was a microcosm of the company at large. Disparate independent HR organisations rooted in individual brands and national identities pursued their own agendas leading to duplicate solutions, disparate systems, exceptional processes and the high costs associated with such proliferation of work.

### Lost Economies of Scale

European HR was resourced and structured to support over 20 independent profit centres of varying sizes from manufacturing companies with c.a. 10000 employees or more, to sales companies of a few hundred employees.

Each produced their own compensation and benefits, payroll, systems, talent and performance and training processes and administrative procedures with little consideration of how size or other HR resources in the company could be leveraged.

### Duplication and Proliferation

Payroll systems were different in different organisations. Disparate systems and manual procedures made regional talent management and resource planning extremely disjointed.

All HR administration was keyed by administrators with the exception of performance management which was handled by stand-alone software.

Regional talent records were in fact manually prepared and keyed into the global HRIS instance in addition to local systems.

### Limited Cap Ex

The scale of GME's losses was both increasing the need to for change and also decreasing the capital available to invest in change, particularly the HRIS and self-service technology needed to reduce operational HR costs.

### Business Readiness

Resistance to change was moderately high.

Languages, brands and strong national identities as well as well-established company traditions presented natural barriers to standardisation and central decision-making.

At the same time, HR was culturally attached to a customer service concept which associated quality with local presence, tailored solutions and face time.

These high resistance factors were counterbalanced by the recognition that change was required and the overriding imperative to reduce HR costs.

## Solution

### Pan-European HRO

The solution was to outsource pan-European HR Administration to a HR Services provider in the largest HRO that had, at the time, been realised.

The scope included payroll, HR administration, recruitment, and talent records for the bulk of the European region, comprising about 56,000 employees.

The service delivery solution was one regional service centre for administration and query handling coupled with the standardisation of each payroll and record keeping on SAP and HR/Talent management on a global instance of PeopleSoft.

### Regional Service Centre

The key parameters for the service centre were to optimise location for both salary arbitrage and employee quality, to satisfy data protection concerns and to supply mother-tongue language proficiency.

This resulted in the selection of Barcelona for the location of the service centre and a strategy of moving back-office processing to less costly European locations as it became feasible.

### Hub & Spoke Delivery Model

The service centre was to be supplemented by a multi-language, end-user interface for on-line self-service and the option of email or paper form submissions.

The service centre was also to be supported by small, local pay administration units in the 5 largest GM Europe companies based in Belgium, Germany, Spain, Sweden and United Kingdom.

### Process Automation

An internal shared services approach was impractical because of the lack of internal work handling expertise.

The solution called for on-line transaction processing, workflow management, OCR, IVR, and Case Management. The scale of investment required to provide for the technology and skills internally was prohibitive.

## Provider Selection Criteria

The Services provider was selected on the basis that it could manage a pan-European operation of the size required, supply transaction processing technology, implement PeopleSoft HRIS and SAP payroll and also finance the investment upfront. Two other key factors for the selection of a Provider were price, of course, and also the flexibility to handle employee transfer issues in a collaborative manner.

The scope and scale of the enterprise resulted in a Prime Vendor, Affiliated Computer Services (ACS) being engaged that in turn sub-contracted a group of 3 specialist providers to supply defined components of the complicated deal. The Sub Vendors involved were Arinso, EDS and Adecco.

## Implementation

### Opportunity Evaluation

The pan-European baseline, vision and opportunity evaluation took about 9 months to develop and agree.

### Sourcing & Contracting

The sourcing and contracting process, including business case development, lasted well over a year and involved one restart and the eventual crafting of contracts to include the prime and sub vendors and cover the 4 main service lines of Payroll, HR Administration and Recruitment.

Sourcing and selection was complicated, in particular, by the different solutions offered by different providers, the requirement for both SAP and PeopleSoft, Employee Transfer (ARD) solutions, multi-country employee consultation, the lack of current performance data and finding a solution that could cover full scope in all countries.

Contracting was comprehensive, as is the staple in large American corporations. It 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 Implementation

Implementation took about 3 years, and was managed country by country, in staggered stages.

Every country project comprised of a typical systems-based plan-design-build-test-launch-stabilise sequence.

However, they had, in addition, to include the process redesign, knowledge transfer, employee consultation and change and readiness interventions which are so critical to HRO projects. Also, the design phases had to retain as much European standardisation as possible despite being staggered.

A further complication was that, after the first country launch, project management had to run in parallel with service management for almost 2 years.

### Employee Consultation

The outcome of employee consultation in each country was different, reflecting local circumstances.

This affected timelines substantially. In some circumstances the delivery solution had to be modified on the fly requiring creativity and nimbleness from the joint project teams.

### Conflict Resolution

Also, despite excruciating contract detail, there were some significant mismatches in expectations between provider and buyer that had to be resolved.

### Stabilisation

Stabilisation of services was achieved more readily in some countries than others.

In the bulk of countries, performance was stabilised within 3-6 months. However, in Belgium a switch from negative to positive pay without adequate change preparation and consultation led to significant employee relations difficulties. Additionally, in Sweden, adopting SAP payroll as standard led to issues with the ability of the payroll system to cope with some local payroll peculiarities which caused lengthy difficulties in Accounts reconciliation.

### Change Management

From beginning to end the implementation was unable to rely on out-of-the-box change management methods but, from the European Works Council down to local Union consultations, depended upon the wider Employee Relations experience of the project team and the ability of the team to work hand in hand with local IT, HR and ER experts.

Consultation and negotiation was supplemented by detailed transition and launch planning, including change communications.

## Conclusion

The continued outsourcing of the services beyond the contract period demonstrates the success of the solution. However, when one considers specific elements, some aspects have stood the test of time better than others. Our 5 top learnings from delivering HRO for GM Europe are:

- Affirmation that Payroll and related HR administration have potential for outsourcing even in challenging pan-European situations. However, quality can vary by country and this is not necessarily the case for all services.
- In traditional, unionised environments employee transfer is rightly a pervasive component of every decision. It impacts costs and implementation deadlines.
- The circumstance governing salary arbitrage can change quickly. A location that seems the most attractive at one point may not be as attractive at a later point.
- Technology development moves at a rapid pace. The systems and front-end solutions on offer at contracting were eclipsed within a few years and were already out of date before the last country went live.
- The provider has to make enough profit to make the effort and investment worthwhile. The Buyer naturally pushes for lower costs and high quality services. Managing this tension is one of the keys to success.

### Authors

The authors of the study are P. Davies, M. Oke and J. Duvby of Debunk who initiated, negotiated and led the outsourcing of GME's HR operations.