

# **TRANSFORMATION THROUGH ENGAGEMENT – CREATING THE ROYAL MAIL HR SHARED SERVICE CENTRE**

## **Background to Royal Mail**

Royal Mail in context: -

- Delivers letter and parcels to over 27m UK addresses every day.
- Serves over 24m customers per week in Post Office branches.
- Employs over 188,000 people plus an extra 20,000 at Christmas.
- Pays over 140,000 people weekly.
- Requires 400 new recruits every week just to stand still.
- Receives 10,000 calls to the HR contact centre every week.
- Has over 449,000 members in the pension scheme.

## **Introduction**

The journey to create a human resource (HR) shared service centre in Royal Mail really began in 1994 shortly after the then government, who were the sole shareholder, failed in its attempt to privatise Royal Mail. Immediately, the government conducted an independent review of the support services in the organisation and concluded that they could be further streamlined. Up to this point in our corporate history it would be fair to say that every operational unit, – in excess of 100, had in effect their own administrative support unit providing a range of services covering the whole spectrum from finance to hr. Various projects were then initiated and it was at this time that the term “shared service centre” was introduced into our corporate vocabulary!

Finance were the first unit to create a number of shared service centres to provide support to the whole organisation. Between 1998 and 2001 a small number of centres were created to service payroll, financial reporting, accounts payable and accounts receivable. Savings that were in excess of £50m per annum were generated in this period and some of this money was then re-invested in a new suite of SAP financial systems.

However, besides the great financial contribution that was made, the key learning from this work was used directly by a large number of key team members who used it to create one of the largest hr shared service centres in Europe within a two year time period.

## **Royal Mail HR**

Historically, HR within Royal Mail was run by individual business units. This led to a large number of teams operating non-standardised procedures. It was only in January 2003 when a new Group HR Director was appointed – Tony McCarthy - did any meaningful change begin. From the outset he set out to transform hr by implementing the Dave Ulrich 3 box model which consists of experts, business partners and a shared service centre all working as part of the same community. This had a great impact because it not only created the “burning platform” to do something different but also enabled any tensions to be resolved within the HR community.

## **Our Vision**

Very simply we wanted to create a top class business unit that: -

- Provided a single point of contact for customers via phone fax or e-mail.
- Provided local face-to-face contact to deliver those services, which could not be sourced remotely such as recruitment, learning delivery, health and safety inspections, and the more complex advice and support.
- Centralised all other processing activities in order to drive in standardisation and drive out cost.
- Was ISO accredited to ensure that all processes were subject to both strict change control and continuous improvement.
- Had a completely different way of working for our teams and both liberated their thinking and their own individual learning.
- Was liP accredited to ensure employee’s support processes were consistent and represented good practice.

## **Our Goals**

- To create the shared service box of the Dave Ulrich “3 box model”.
- To reduce staffing levels by at least 40% and make annualised savings of £50m.
- To put in place a continuous improvement capability.
- To provide a single point of access for all employee enquiries.

## **People**

The most important part of any organisation is the people who work there. In our shared service centre we set out to create an environment where: -

- Our people were paid an upper quartile reward package based on median pay but with a bonus package based on business unit performance that meant their package was the best available.
- Our people are rewarded fairly for performance.
- Qualifications and professional development are encouraged for everyone.
- We have only seven levels so there is the minimum of bureaucracy.
- Flexible working was introduced to ensure people could work hours and days that suited firstly the employer and then the team member.
- Introduced a shorter working week to promote work-life balance.
- Development moves of people take place as part of our every day work.

## **Process**

When contemplating a change of this size it was vital that we could maximise our economies of scale by centralising as much of our administration activity as possible. Consequently, we established central teams to drive the following processes:

- Recruitment
- Learning
- Health & Safety
- Advice & Support

Royal Mail had previously centralised Payroll and Pensions Administration and those units were migrated into the new structure.

The Contact Centre, which had earlier been established to resolve payroll enquiries, was extended to cover the whole range of people processes – including advice and support not requiring face to face contact.

Once established we then immediately sought to get the new centralised process accredited to the ISO EN 9000 standard to give us a sound basis to move forwards. It was vital to get in place the disciplines associated with process change and to start and get a clear focus on continuous improvement. Once this foundation was in place we then embarked on a number of six sigma and lean production training sessions coupled with the training of a number of project managers who could start and pave the way. The results of this investment have been incredible and we now have in place a number of exciting process improvement projects that not only deliver a better service but also reduce cost.

## **Technology**

At the outset we made a conscious decision not to implement any new core systems. We chose to optimise our existing systems – Infinium and SAP. Had we decided to implement new core systems then we would have run out of time and not delivered our benefits in line with our business case.

There were some systems that we did implement because we believed they would make both a difference to our customers and to our overall cost reduction programme.

The main systems implemented have been:

- E recruitment – all applications are now made directly via the Internet by prospective employees.
- E appraisal – appraisals are now done electronically thus providing vital performance data information on line.
- E accident reporting – managers can now report all accidents on line.
- SAP EIC – all contacts with employees whether via phone, fax or e-mail are recorded thus providing a complete history of any contact. Trends are then analysed to highlight any possible improvement opportunities.
- Knowledge Management Portal – when it comes to people there is no end of policies and procedures that are required so we set out to create a database of everything we needed. This has been quite a task but to update one electronic record once is a lot easier than sending out either hard or electronic copy to over 100 places and potentially to over 3000 people.

## **Benefits Management**

The key to any successful project outcome is to deliver the financial benefits that were promised in the original business case that authorised the project. In our case our financial benefits were all around headcount reduction. So right at the outset we firstly ensured that all hr people were charged to a separate cost centre owned by us. This enabled us to see the costs associated with the people that would be affected by the change. This also allowed us to have total transparency over the appointments process. Once a person was appointed we could then run a simple spreadsheet on weekly basis to highlight the designation of the others and track their movements and we met on a weekly basis to review our progress too. Consequently, we could track our benefits with precision right back to the financial ledgers.

## **Six Key Learning Points**

There are always things that you can learn from doing major tasks such as this. In our case there are many but these are the six key ones: -

- Communicate/communicate/ communicate – and never ever miss a chance to do it face to face. The only way that change can be delivered successfully is for people to all embrace the change and the only tool open to us is face-to-face communication.
- Always keep your deadlines when you make promises to your people.
- Always put the people factor at the forefront of decision-making and seek to create personal certainty at the earliest opportunity.
- Payroll centralisation, which had been done a few years ago, gave us some important learning. However, nothing could have prepared us for the centralisation of recruitment activity. This work probably took up more of our time than all the other activities put together.
- Measurement in HR appears to be an alien concept! However, it is the one tool that is in the bag that gives customers the confidence that we are on top of the job. So it has to be a must have!
- Customers are not used to either providing detailed specifications or detailed plans of activity. To get the shared service centre to work effectively specifications and plans are essential.

## **The next step of the journey**

As we enter our fifth year of operation our key challenge is to continue to build on the solid track record that we have put in place.

For each of the past four years – year on year costs have been reduced, customer perception has improved and employee satisfaction has improved – to a company record level.

Sounds easy but in practice this is a very tough challenge!

There are two major initiatives that we are working on:-

- Preparing to design, develop and implement a new hr system.
- Piloting a new way of working called “Tomorrow’s hr today” which effectively makes our contact centre proactive in it’s method of operation and means we can better engage with line managers in driving the engagement agenda. It is early days but we feel this will represent a step change for us in how we deliver our service.

## **Vital Statistics**

- Headcount has reduced by a net 1600 people.
- Savings of over £60m per annum have been generated.
- 99% of customers are happy with the service that is provided.
- Made services easier to access.
- Established a shared service centre obsessed with measurement!
- Personnel Today 2006 Excellence Awards -overall winner
- Personnel Today 2006 Excellence Awards – winner in shared services and outsourcing.
- IQPC 2007 European Shared Services – overall winner - organisation of the year.
- IQPC 2007 European Shared Services – employer of the year.

## **Conclusion**

Our journey has been short in elapsed time – just four years from inception but it has been packed full of effective time. We have still some way to go in systems terms but we now have in place a lean organisation that supports the company.

But the one omission that this article has not covered so far but sums up the transformation for us is that in a recent people survey 82% of people said they were happy. This has been for us an amazing journey!

Dermot Toberty  
10 September 2007