



The Brokered Shared Services Model: Managing the Change to a New Model for HR Operations

Those who discern when to use many or few are victorious...conquest is a matter of coordination, not of masses.

- Sun Tzu, The Art of War

The pendulum swing from a centralized human resource function to a decentralized function, and back again is seldom wished for. In the current economy, as companies pare down, look for greater efficiencies, and eliminate redundancies, many organizations are engaging in the significant change from a decentralized HR function to one in which functions and areas of expertise are shared across divisions and business units.

While this change can be advantageous to a business that can ill afford to spend on redundant functions across many different areas of a company, there are obvious detriments to reorganizing such a central function within an organization. Even if the shift is as infrequent as once every ten years, the fallout from such a change process is worth avoiding.

Fortunately, there is a new model that, if adopted correctly, can slow and possibly halt the back and forth shift from a centralized to a decentralized HR function. It is a model that can offer a business the close partnership benefits of a decentralized model, with the efficiencies of a centralized model.

This paper offers a brief synopsis of the Brokered Shared Services Model (BSSM), and focuses on the key roles within this Model, as well as on particular considerations to managing the change process of moving from a decentralized HR function to one that works under the BSSM. The specific considerations fall into three categories:

1. How best to design the HR function so that it aligns with the long-term business needs of a variety of divisions or business units.
2. How to identify the appropriate people to run such a model.
3. Some of the broad challenges that must be considered when moving an organization from a decentralized model to a more centralized one.



Aligning Business Needs with HR Functions

It is often during periods of prosperity and growth that organizations make the decision to offer particular divisions and business units dedicated resources for various HR functions. For instance, if there is a division that is undergoing remarkable growth and complains that a remote recruiting and hiring function cannot keep pace with the needs of that division, the decision is often made for HR to install a dedicated recruiting and hiring presence specifically for the needs of that division. As the economic realities change for a company, the business argument for the dedicated HR professional can diminish and his/her activities tend to duplicate what is offered by a more centralized function. As this happens repeatedly across an organization, a company will find itself overburdened by an HR staff that was built for a company with different needs. Typically, this is when the pendulum swings back as demands come forth for a leaner, standardized, more efficient HR presence. To then constrict the HR department into a centralized function takes a great deal of time, planning, and energy.

As they find themselves on the cusp of making the decision to pull in and shrink the presence of HR across an organization, leaders of the organization are left with a number of smaller but serious strategic decisions that must be made. It is rarely the case that all specializations with HR can be standardized without compromising the business needs of some divisions or business units. The needs of various Strategic Business Units (SBUs) will differ and some will have highly specific HR needs that are not replicated anywhere else in the organization. For example, there is likely to be a sound argument for the IT division of an organization to have a dedicated training function which then reports into the head of training under HR. However, most other divisions and business units would be less likely to have a need for a dedicated training presence.

The leaders of a company must weigh the benefits of an SBU having the resources of an HR professional who understands their business and can function as a highly proactive leader in helping to identify and solve business problems (the benefit offered by a decentralized model) against a central, highly specialized HR resource that can service several SBUs at once. In many cases either choice seems to miss the needs of the SBUs. There may be a solution that can respond to both needs.

Recognizing that neither a completely centralized function nor a completely decentralized function is ever likely to adequately respond to the needs of a complex organization, a new model has been tested. The Brokered Shared Services Model (BSMM) is one that has gained significant credibility over the past decade. Borrowing from the strengths of both the centralized and decentralized approach, this model offers several advantages to businesses that are considering reorganization. The BSMM offers the high level of expertise common to a centralized model, with the ability to consult immediately to the particular needs of different SBUs. Because this model has the potential to offer a highly

consultative approach to the different needs of business units while working on a leaner framework, it is more resilient to the shifting needs of an organization over time. There is ample reason to believe that this model offers greater longevity to organizations and a way out of the back and forth restructuring of an HR function.

The Brokered Shared Service Model

Areas of Expertise

Companies such as Allstate Insurance have shifted from a centralized HR presence to one that allows them the cost savings and leaner staffing of a centralized model, while simultaneously providing a responsiveness that is specific to the needs of individual SBUs and divisions. The core of the BSSM is the collection of areas of expertise. These are HR service centers that focus on particular areas of HR expertise within the organization. Selection, education and training, performance development, executive development, executive compensation, and integration practices are typical of the areas that compose such areas of expertise.

It is the responsibility of these areas of expertise, to track best practices and marshal the highest level of talent possible to respond to the full gamut of business needs within the company. Staffing for areas of expertise focuses on talent that can offer specific areas of competence rather than a generalist approach that tends to promote those who have no specific expertise.

Businesses and industries may vary in terms of how they consolidate these areas of expertise. The BSSM is one that allows for a degree of creativity in terms of how these areas are designated, staffed, and run. In all cases it is important that the HR staff within the areas of expertise be professionals who are comfortable with a consultative approach to their work. They must be flexible, skilled communicators, and responsive to the business pressures of those whom they are serving within the SBUs.

The Shared Services Broker

One of the more challenging, positions within this model is that of the shared services broker. These are individuals who attend to the leaders of SBUs and serve those leaders by brokering the HR services that are appropriate, creative, and timely. As the keystone between the areas of expertise and the business leaders in the organization, the broker must manage several roles simultaneously in order for the BSSM to succeed.



First, it is important that the broker have a broad enough understanding of each of the areas of expertise to allow him/her to appreciate when he/she should call on which service and when it is appropriate to call on more than one service for an integrated

solution. In cases where more than one area of expertise is brought in to address a particular issue, it falls on the broker to manage the different experts and approaches for the overall good of the business unit.

Second, brokers must be expert at client relations and attend to several units simultaneously. Their relationships with the heads of the SBUs are critical if they are to be seen as strategic allies in meeting the goals of a particular unit. If, for any reason the broker of shared services is seen as less than savvy to the business realities of a particular unit, he/she is unlikely to be regarded as little more than a bureaucratic intermediary between the business head and the expertise that he/she needs. In such a scenario, the model fails as the business leaders feel that they now must work through an unnecessary degree of separation to access the information or expertise that they seek.

The broker must be seen as adding to the strategic focus of the business team, an individual who proactively shapes the tactical course for reaching the desired goals rather than responds post-hoc to decisions that have been crafted by others. At the other end of the broker's relationships, he/she must have the communication skills and strong credibility to elicit the most precise and timely responses possible from the leaders in the areas of expertise. To the degree that the mandate from the business unit is misunderstood, inaccurately communicated or mistimed, the broker's efficacy will be challenged and the BSSM model will fall prey to criticisms of being cumbersome and distant from business realities.

The ideal model is one in which the role of the broker is filled by experienced HR staff who have distinct talents for and training in strategic planning, interpersonal skills, communication, project management, and market savvy relative to the units that they serve. The broker is someone who is able to offer a business leader a solution that selects from the most appropriate services offered within the areas of expertise, rather than serve up generic programs offered by different areas of HR. He/she must also provide the leadership necessary to keep the HR solutions proactive to the shifting needs of the business problems at hand. If an expert service provider is failing to respond to a change in needs on behalf of the unit, it is the broker who must make certain that the need for change is recognized and responded to.

In order for the broker to be most effective, he/she must be educated and kept up to date with state of the art changes that occur within the different areas of expertise. The broker is only as good as his/her ability to understand the differences between services offered both within and between areas of expertise. For this reason, it is important that the



BSSM be designed with a communication system (either set meetings or internal communications) that allows the broker to stay current with changes and developments within the areas of expertise.

Managing the Change Toward a new Model

As with any significant change within an organization, the move to a new model causes disruptions and breeds uneasiness among those who must learn a new way of working. Some of this cannot be avoided but proper planning and support can alleviate a great deal of wasted energy, diminished momentum, and anxiety.

It is beyond the purview of this paper to summarize all of the points that should be considered in so great a change as reorganizing an HR department; however for any business undertaking the shift from a decentralized model to the BSSM, a few key points deserve special consideration.

- A well-communicated strategy should be organized and endorsed by the highest leadership in the company. People within an organization will be asked to tolerate a disturbance in their way of working and, further, asked to learn a new system. In order to minimize the resistance to such a change, everyone must understand the business argument for the reorganization and its overall benefit to the company. Particular attention must be paid to the heads of SBUs who may be losing a dedicated member of their team and who may feel as though they are now being asked to perform with diminished resources. To the degree that these leaders can offer input into the form and process of the reorganization, there will generally be less resistance to the new model.
- The new model should be described repeatedly in a clear and realistic way. Any attempts to sell the model through hyperbole will ultimately backfire. People within the organization can tell when an idea coming from the top of an organization is being pitched to them in unrealistic terms. This approach ends up having the unintended effect of making people feel more uncertain and slowing the change process because people are suspicious of leadership and uneasy about the future.
- Objective methods of measuring the effectiveness of the new model and the change process should be built into the reorganization of the department. Because every model must be tailored to fit the unique culture and needs of an organization, it is vital that the leadership of the department and the company have a clear idea of where things are working as planned and where the new model may need adjusting.



If the process is not adequately monitored, there are three areas where this model can fail due to poor implementation or communication:

1. **The Broker:** Because the role of the broker is so vital to the BSSM, problems with the individual in this role will dramatically compromise the effectiveness of HR. By monitoring the performance of the brokers with clear objective standards, HR leadership can determine whether a broker is unfit for the role, or whether he/she would benefit from training in specific areas.
2. **Centers of Expertise:** Those in the business end of the company must see the Centers as being reliable, pragmatic and flexible to the shifting needs of those in the SBUs. Because the Centers are highly specialized, there is potential for the people in these groups to become increasingly isolated from the collaborative needs of other Centers of Expertise and from the immediate practicalities of different SBUs. Establishing a method for monitoring the responsiveness and effectiveness of the Centers of Expertise allows changes to be made before serious problems develop.
3. **Head of HR:** In this model, the head of HR manages the overall system and sets the tone for the practice of HR within the organization. As a leader of HR for the BSSM, he/she must be skilled at constantly monitoring and managing change within the system. One of the strengths of the BSSM is that it is a more fluid, less rigid, and more adaptive format for offering HR services. However, one challenge of such a system is that it must remain capable of changing. The Head of HR must be able to not only manage such change, but also to contain the uneasiness that will sometimes occur as different segments of the organization shift and make new demands on the BSSM.

Conclusion

The needs of a business organization are dynamic. The marketplace has repeatedly rewarded those companies that have proven themselves able to shift and adapt in response to change without destabilizing themselves to any great extent. The BSSM HR model is one that allows organizations to respond to change by reducing the dramatic and debilitating reorganizations that arise from moving from a centralized HR presence to a decentralized one and back again. At the same time, the BSSM has the potential to offer the level of expertise that cannot be provided by HR generalists, while maintaining the important relationship between the leadership of an SBU and the HR professional. If the proper attention is given to staffing the various positions, leading the HR department and monitoring the process, then there is reason to believe that the BSSM will offer many businesses a lean adaptive model with the promise of a greater longevity.