



Chartered Institute  
of Personnel and  
Development

# Business partnering A new direction for HR

a guide

## Part 3 Are you passionate about HR? Or are you passionate about the business?

This is a story about how an HR department operating on broadly traditional lines has used the business partner model to move towards adopting a strategic rather than operational focus.

### Who are we?

For over 360 years, Royal Mail has been servicing the homes and businesses of the United Kingdom. It has a proud history of brand and tradition. Royal Mail became a plc on 26 March 2001 and is wholly owned by the UK Government. The framework for change was the Postal Services Act 2000 that created a commercially focused company with a more strategic relationship with the Government.

Royal Mail provides an essential public service. Notwithstanding the introduction of email and other electronic messaging, and the continuing use of faxes, the volume of mail delivered each day is some 82 million items and continues to grow. There is a statutory duty to provide a letter delivery service to each of the 27 million addresses in the UK at a uniform price, irrespective of the distance travelled. The duty also includes an obligation to carry out at least one collection daily from each of the Royal Mail letterboxes.

In the UK, Royal Mail operates under the brands Royal Mail, Post Office™ and Parcelforce Worldwide. Post Office Ltd is a wholly owned subsidiary of Royal Mail Group plc and operates under the Post Office™ brand. Managing a nationwide network of around 16,000 Post Office branches, it is the largest post office network in Europe and the largest retail branch network in the UK, handling more cash than any other business. Parcelforce Worldwide is focused on the growing express market for UK time-guaranteed and next-day services and international parcels. It provides access to the world's largest delivery network, covering more than 99.6 per cent of the global population.

Royal Mail Group plc has over 220,000 employees at over 2,000 sites all over the UK. In addition, a number of franchises and owner/operators operate through the Post Office and Parcelforce Worldwide network. Without putting too fine a point on it, Royal Mail is big business – in terms of size, geography and complexity.

### The case for the change: the business context

The transformation of the HR function within Royal Mail took place in the context of a business in crisis. After years of success as a business, Royal Mail found itself with increasing costs and declining contribution and quality of service. The business had a negative cash flow and needed some radical changes to transform a monolith into a commercially aware and viable organisation.

The commercial environment that Royal Mail operated in was also changing, as the industry began to deregulate and markets began to open up. Customers began to have greater choice and increased buying power. But the business found itself having to balance commercial imperatives against the Universal Service Obligation (USO), a legal requirement of the business to deliver mail to every address in Great Britain.

In 2002, the Renewal Plan was developed – a three-year plan that sought to arrest the decline of the business, and produce a turnaround with a £400 million profit by 2004/05. This was a challenge of enormous proportions requiring a dramatic change effort in an industry that was in the process of deregulating.

### **Cultural context**

In the delivery offices, postmen and women were committed to serving the communities in which they worked, but had a limited concept of the 'commercial buying customer'. In mail centres, the factory environment and culture prevailed and in many mail centres there was limited pride in being a Royal Mail employee. The culture manifested itself in a high incidence of bullying and harassment and high levels of unplanned absence. There was low investment in both capital and people. The organisation seemed to retain all the negative elements of a traditional public sector culture – wastefulness and a lack of commercial focus.

In addition, despite generous HR policies and practices, employees didn't perceive that they worked for a generous employer. Rather, there was a paternalistic expectation of care. The psychological contract was similar to that in the public sector – employees expected a job for life with little or no change to their ways of working.

### **The personnel function**

Personnel managers were proud of the service that they and their teams provided and managers generally received quality advice and support on people issues. The personnel department was comprehensive, with each operational area allocated a personnel manager and personnel team, and a shared 'transactional services' that looked after payroll and other routine operations.

But due to the lack of linkage between business goals and HR, HR activity largely took place in a vacuum, removed from the strategy of the business. Transaction and strategy were mixed up and lacked clarity. What strategy there was was traditional and functional, more like action plans than strategy and dealing with the transactional elements of issues such as absence, reporting and industrial relations.

By and large, operators simply didn't see themselves as responsible for people issues. Consequently, there was little ownership of issues such as attendance and resourcing. Operational managers didn't see their people as delivering the results for them, and they certainly didn't see themselves as leaders and coaches. Rather, the model exacerbated the operational view that managers looked after the mail, and personnel owned the people problems.

If people were the business's fundamental competitive advantage, then the HR strategy was a key element of moving the business forward. With a business in crisis, it was clear that it was not only the operations that needed to change. HR had to reinvent itself – quickly and fundamentally.

### The vision

In January 2003, Tony McCarthy became Group Director for People and Organisational Development (P&OD). Inheriting a committed personnel function, but one that was overstaffed, traditional and lacking in focus, Tony needed to find a way to make better use of its talent, while providing an innovative and forward-thinking HR function that supported the business and moved it forward. In addition, Tony was charged with reducing personnel overheads by at least 40 per cent by March 2005.

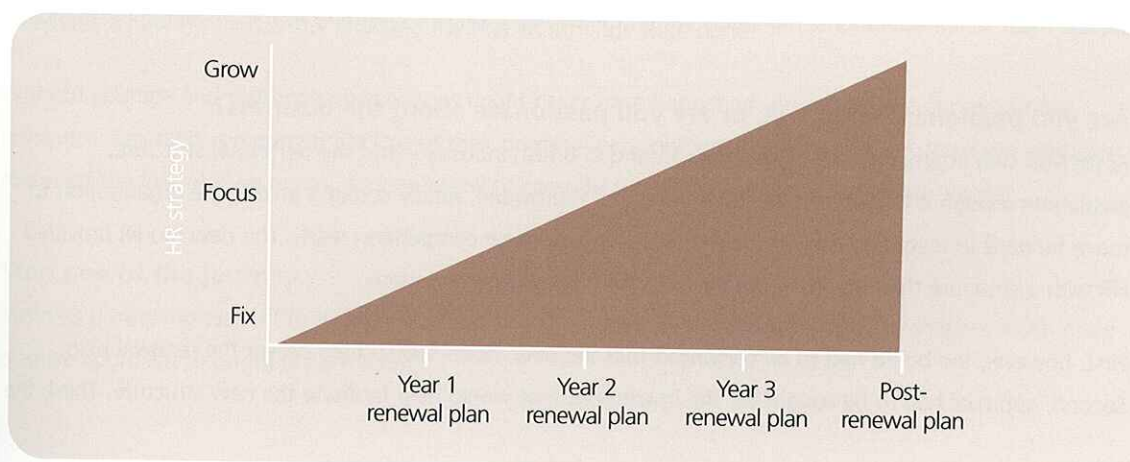
The vision was:

- People will be at the heart of all our major business decisions. The function will facilitate and support our people by delivering world-class solutions and services.
- The P&OD function will be professionalised, with key capabilities underpinning every role, in addition to the key capabilities identified as core to the business.

### The three-box model

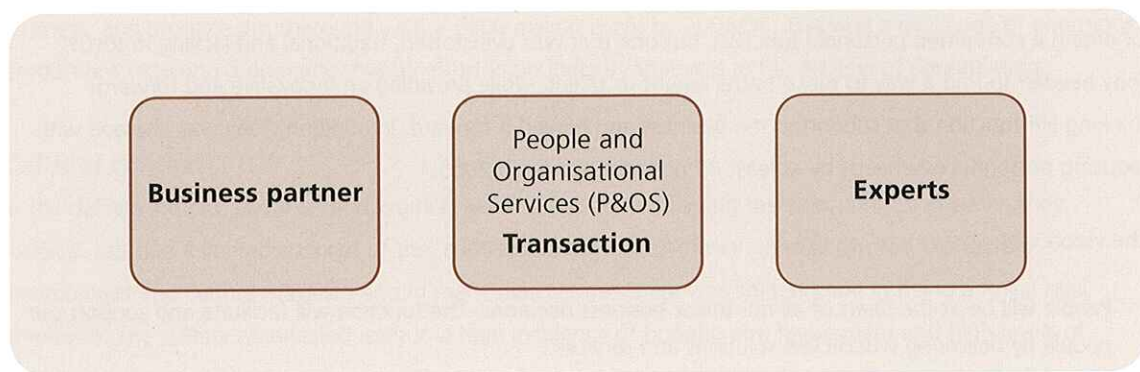
In his previous role as Group HR Director for BAE systems, Tony had used a version of the HR business partner model developed by Dave Ulrich, and had seen its benefits. He sought to introduce this model at Royal Mail to help make the vision a reality and provide a framework for the HR strategy. Figure 2 demonstrates the relationship between the renewal plan and the HR strategy.

Figure 2: HR strategy in Royal Mail



The Royal Mail model is based on three boxes (Figure 3). The move demonstrated a fundamental shift from traditional personnel to the new approach of 'people and organisational development'. The change in functional title was the first step in signalling that change was on its way.

**Figure 3: The Royal Mail three-box model of people and organisational development**



The roles for each component of the model are described in the appendix on pages 32–33. As an example of the new structure, within the Letters business (which is by far the bulk of the business, with over 160,000 employees), 31 business partners were created, one for each area. Areas vary in geographical size and have between 3,000 and 6,000 employees and are split between three territories – East, West and North.

Business partners are referred to as people and organisational development advisers (PODAs) and they 'partner' the most senior manager in each area, the area general manager. The PODAs are senior managers in their own right and sit on the Area Management Team. Each PODA reports to the head of P&OD for that territory. Each of the heads of P&OD (East, West and North) 'partner' their respective territory directors, who are the most senior operational managers within the Letters business, reporting to the UK operations director.

### **Are you passionate about HR, or are you passionate about the business?**

Royal Mail was attempting the biggest turnaround in British industry – and the personnel structure, passionate though it was about the HR services that it provided, simply couldn't enable the organisation to move forward to meet and exceed the renewal plan and to be competition-ready. The new model provided HR with a structure that would, in theory, help them do all that and more.

First, however, the board had to be convinced that the new model would help deliver the renewal plan. Second, approval had to be sought for the investment that would help facilitate the new structure. Third, the

changes had to be managed in an environment of extreme operational turbulence and change. And finally, ongoing HR support for the business was still required while the changes were taking place.

One only need scan the HR job advertisements to see that many organisations overlay the business partner model on their existing structures – changing titles in the apparent belief that this will reflect a business partner approach. However, in order to deliver the vision described above, Royal Mail had to completely disassemble the personnel function and reassemble a new vision, structure and strategy. This was never going to be done without some pain.

The 3,150 employees within the personnel function had to apply for 2,250 new positions within the new structure. And, for the first time, Royal Mail was actively going out to the open market to recruit. That meant fewer jobs, and more people in the pot. For example, a Royal Mail area that previously had 20 personnel employees servicing the population of 5,000–6,000 operational employees was reduced to having one visible business partner in the area, supported by a centralised and drastically reduced shared service.

There was a challenge in drawing on the talent among existing employees and creating an environment where the change was welcomed, while at the same time creating a compelling vision for those external recruits. In addition, for the 18 months that the resourcing process was being completed and the new structures bedded down, the organisation was going through some difficult operational changes – reducing its headcount by up to 30,000 employees and introducing some radical changes to the network.

While the new transactional People and Organisational Services (P&OS) division undertook its own transformation by dramatically reducing its staff and completely overhauling its processes, the newly appointed business partners had to live with dual roles. On the one hand, they were told to be 'strategic' but, on the other, there was still the transactional work to be done and no one to do it. The operations needed help to effect and manage the changes they were going through, and didn't much care for the fact that there was a new HR model that changed the way that things were done.

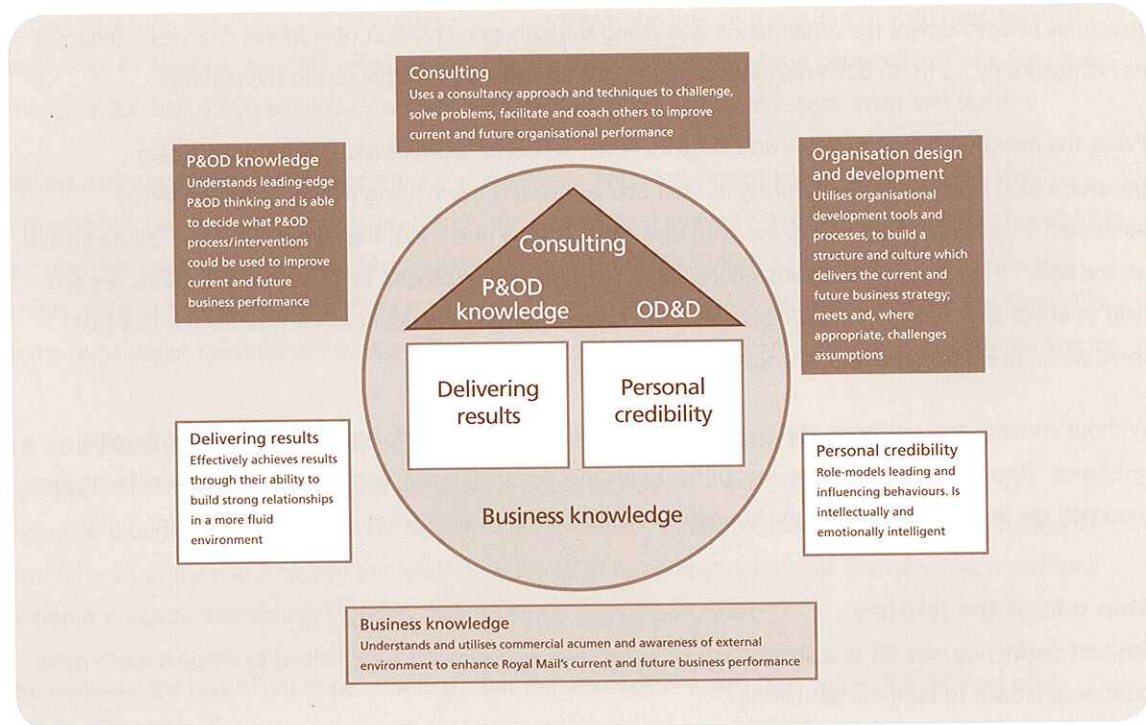
Without courage and resilience, the changes might never have happened. And there was certainly initial resistance. Operations mourned the loss of their personal personnel managers, while the personnel managers mourned the loss of their teams, and struggled to come to terms with what the new roles meant.

### **Step one of the journey**

Business partnering was off to a shaky start. However, two key elements have helped to shape a much more positive approach to business partnering:

- 1 The progress of P&OS in their transformational processes. As transactional work has been removed from the business partners, they have been able to start the true work of understanding the role of partnering the operations.
- 2 The introduction of the new P&OD capability model (Figure 4) and the associated development programme:
  - The development programme consists of three mandatory programmes covering consulting skills, business knowledge and strategy, and organisational capability.
  - In addition, every business partner has been given a development budget and can choose electives within the programme (or, if appropriate, from external sources). Electives include facilitation/action learning skills, managing change, coaching, and measuring P&OD value.
  - Programmes have been run by leading-edge providers such as Professor Wayne Brockbank (University of Michigan).
  - An annual P&OD conference brought together recognised leading-edge experts in industry and HR, and best practice from within the business was demonstrated and recognised.

Figure 4: The Royal Mail capabilities



### **So, what is a business partner?**

The P&OD function is only just beginning the journey of understanding what potential a true business partnering model can bring. This is critical if the P&OD function is to support the business in meeting renewal plan targets, improving the current level of quality of service and tackling the cultural issues pervasive within the business. The role needs to demonstrate value and be differentiated from the previous personnel manager role.

Business partners need to be able to demonstrate to operational colleagues that they understand the customer, the business and the competitive environment within which all this fits. Business partners need to contract with the operations to analyse a problem in the light of these inputs, work with the experts to develop an appropriate solution/product/strategy or response, and then work with P&OS to deploy such a response. Equally, the business partner needs to be a coach to their operational partner.

The business partner needs to be able to create an environment to be able to focus on longer-term strategic issues: a challenge when faced with operational partners that focus on a daily repeatable task. The organisation will continue to face changes, and so the role of the business partner must be to help operations face those changes head on, develop an appropriate response and then evaluate the deployment.

### **What we've learned**

Making the change under the circumstances detailed above meant that the implementation wasn't perfect, but the first step of the journey is always the hardest and there is never an 'ideal' time to implement such a magnitude of change – if you don't start, you'll never get where you want to be.

There has been a dichotomy between short-term business requirements resulting in processes that didn't let the model work properly, and which gave people permission to return to their comfort zones, and the fact that the business so desperately needed the model to work, to get out of day-to-day tactics, and to look at the longer-term cultural and strategic issues.

There has been a body of work necessary to communicate and educate the operations on the new model, how it operated in practice and what this meant for their role in managing their people. There is still not perfect understanding of the model, nor of the role of the business partner.

It's the responsibility of all the parties within the three-box model to make the shared services (P&OS) a success. Without a strong, efficient transactional component, it's hard to build true credibility as a business partner.



In a sense, we've taken three steps forward, one step back. Some business partners have found the role too isolated, or have missed managing their teams. Some have just not been up to the challenge. So the team that started is not the team that remains.

### **Why the business partner approach is a good thing**

So, there have been some challenges along the way, and we still have a very long way to go, but it is clear that the courage in moving to the new model is starting to pay dividends.

The investment in capability within the P&OD function is starting to pay off. There is energy and excitement about the business partners as they seek to apply the new models to their everyday roles, and the development programme has provided a shared platform of learning, a shared language and a shared experience.

Royal Mail posted its first after-tax profit in the financial year 2003/04 and is well on its way to meeting renewal plan targets. There have been small wins that grow larger every day. The challenge now is to build on the successes of the model while learning from the challenges we've faced.

**Helen Atkinson**

**Head of People and Organisational Development, East Territory, and**

**Tammy Tansley**

**Employee Relations Manager, Royal Mail Letters**

## **Appendix**

### **Business partners**

Business partners are the P&OD directors for each business unit and the area P&OD advisers identified within the units. The teams within this structure are very small and business partners are identified as being:

- users of experts to design P&OD interventions needed in their business units or areas
- responsible for overseeing transactions, but not managing them other than contractually
- developers of talent
- development and performance coaches, facilitators and counsellors
- at the forefront of business strategy

- encouragers of risk (particularly with people)
- decision-makers and performance improvers
- behavioural role-models
- deliverers, not managers of deliverers
- responsible for measuring service quality and business impact
- innovators for people and business improvement.

#### **Shared services (P&OS)**

Shared services are People and Organisation Services. P&OS is responsible for the delivery of excellent people services in a consistent way and they provide a world-class standard of services and costs.

#### **Experts**

We have small professional teams of experts in:

- talent management
- chief learning officer
- diversity
- corporate social responsibility
- employee relations
- recognition and reward
- involvement and communication.

Our experts are recognised in their own fields and their role identifies them as:

- world-class specialists, aligned with or ahead of their field
- understanding business
- educating the business by pushing and coaching
- owners of policies
- deliverers and doers
- advisers on new and innovative ideas
- owners of key mandated activities.