

Transforming HR in partnership with the business at QBE Insurance

Jenni Smith and Claire Davies



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Abstract

Purpose – The purpose of this paper is to describe the transformation of HR at QBE Insurance, which the company's group general manager, HR has led since joining the organization in 2003. The paper seeks to focus specifically on how the group HR team has engaged both the business and divisional HR teams across an international operation to enable this transformation.

Design/methodology/approach – The paper discusses a series of integrated changes, driven by group HR, which aim to raise awareness of the contribution that more effective people management can have on business goals. These changes relate to culture, executive development, performance management, personal development planning, succession planning and talent management. The paper explains how each of the key changes has been introduced by influencing business leaders and divisional HR teams, underpinned by a clear and consistent "ONEHR" vision that is aligned to business needs, which group HR has then mobilized effectively to deliver change.

Findings – The group general manager, HR's approach to implementing QBE's "ONEHR" plan has transformed group HR's relationship with the company's business leaders, supported the transformation of the HR operating models in each of the divisions and had a positive impact on QBE's overall business results.

Practical implications – QBE group HR's experiences may be useful to other HR teams developing their role within an international business, wanting to become more strategic, or setting out to increase their credibility and influence with business leaders.

Originality/value – The paper describes how HR, by focusing on the right things, can work more effectively together across geographical boundaries to engage with business leaders to influence them towards new ways of managing people. It also demonstrates the role of HR working in a true partnership capacity alongside the business, helping them to gain more value from their people.

Keywords Human resource strategies, Influence, Organizational change

Paper type Case study

QBE is one of the world's top 25 insurance and reinsurance companies. It employs around 13,000 staff across 45 countries in four largely autonomous divisions that understand and practice QBE's culture. HR supports these business divisions through divisional HR teams. A small separate group HR team led by the group general manager, HR, Jenni Smith, works with the company's group executive and supports the head office unit.

A new approach

When Smith joined QBE in April 2003, HR was positioned as an administrative, back office function delivering "value for money" services to the business. She was employed to change the role of HR, a decision driven by the organization's desire to have a HR function strategically aligned to the needs of the business. Frank O'Halloran, group CEO comments:

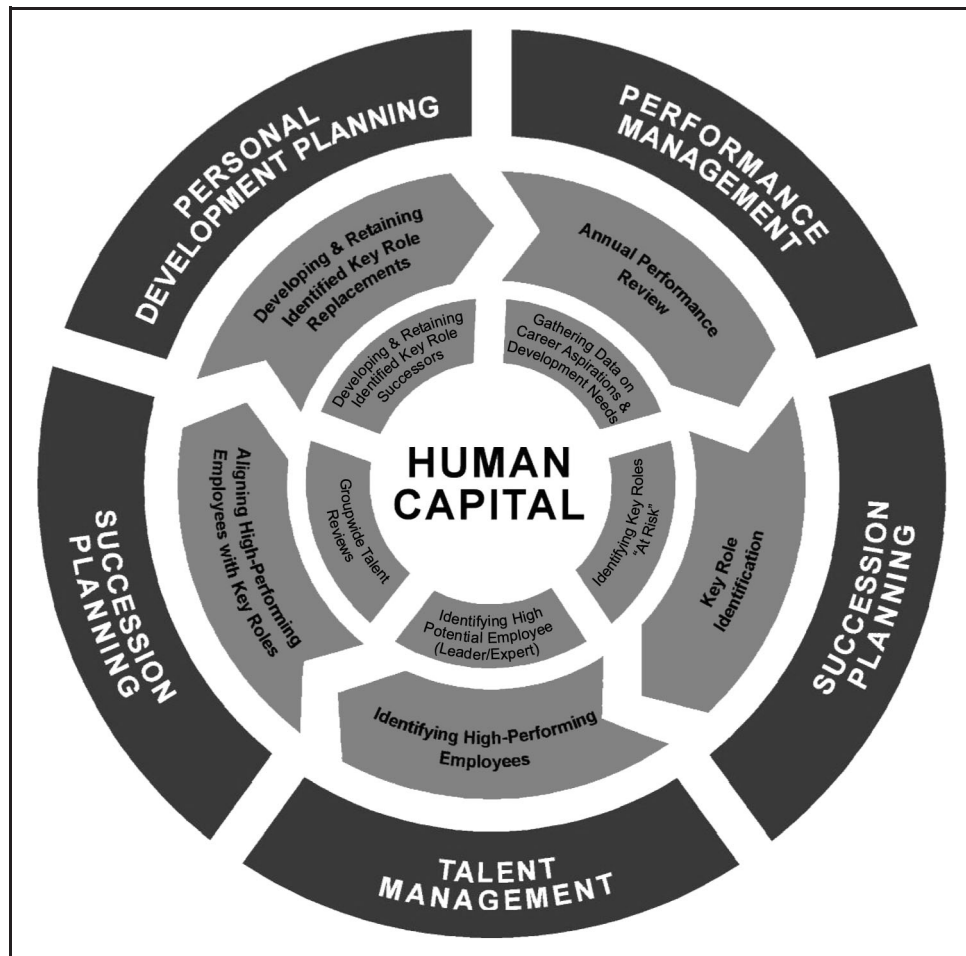
I set Smith a challenge of working with me to embed the "culture" that we had developed in 1994 to support our core vision.

Smith therefore set herself a goal of transforming both HR and enhancing the QBE culture within QBE over the next five years. The first step was to develop a clear vision for HR across the whole organization. Smith identified the core processes that she believed would have the greatest impact on the business or facilitate the achievement of QBE's goals and brought these together to create QBE's "human capital model" (see Figure 1). To assure the quality and consistency of these processes, Smith decided that her own team would lead and control these areas, working in partnership with the divisional HR teams.

However, with no direct reporting relationship between Smith and the divisional HR directors, this new approach could only be achieved by influencing these directors, the divisional CEOs and the wider HR community. She had played a part in the recruitment of two of these HR directors, and part of the process was to ensure they were also keen to transform HR within their divisions. So, with the support of the group CEO, Smith brought the divisional HR directors together to explain her desire to create a single platform for HR, underpinned by the human capital model, which would enable HR to move forward consistently across the group.

She explained that by having a single "ONEHR" vision, HR could demonstrate a more strategic as well as pragmatic approach to achieving the transformation. This ONEHR vision would also facilitate group executive sponsorship that would enable the divisional HR directors to achieve more success in their own divisions. Without this sponsorship, the divisional HR directors would each need to continue to engage their own chief executives independently, fighting their own local battles on some of the big ticket items. In working

Figure 1 QBE's human capital model



together, with Smith's leadership, the divisional chief executives would be more confident in supporting the key HR initiatives needed to drive change.

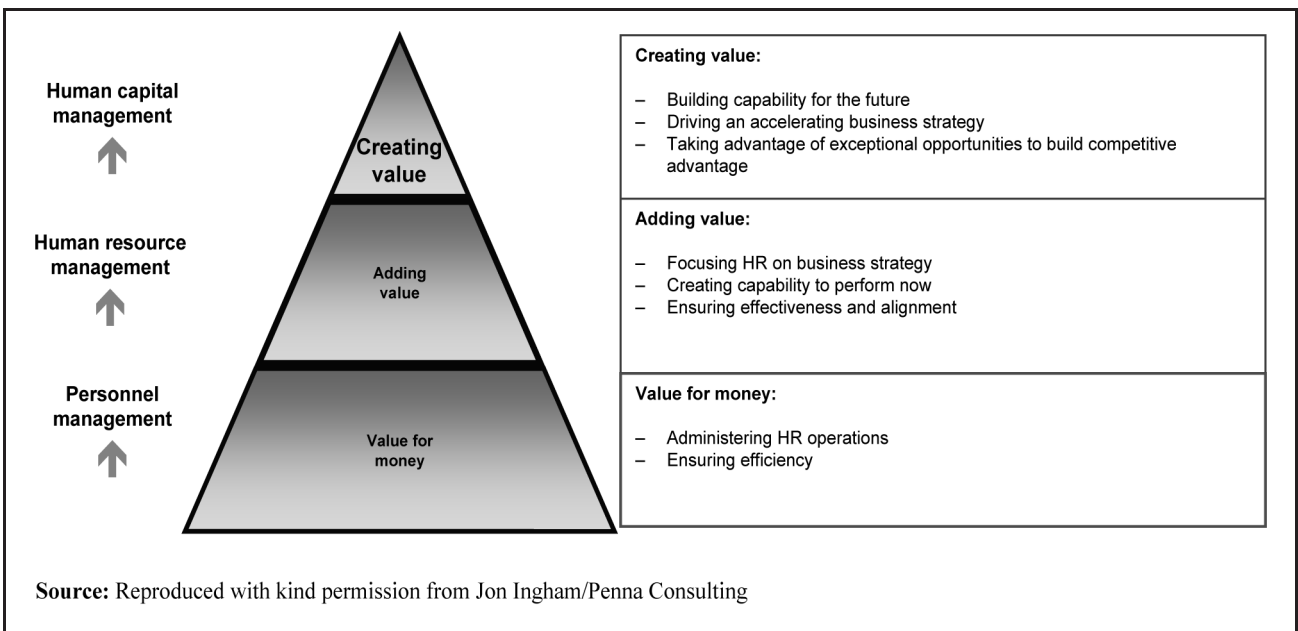
Gaining internal support

Smith convinced the divisional HR directors that by acting as one team, everyone could achieve more. However, she understood that it was not enough for HR to be on the same page – she also needed to build support within her peer group and gain the group executive's agreement to her vision. To create this level of engagement, Smith, with the support of the group CEO, took the group executive team (which includes the divisional chief executives) through the ONEHR vision and explained what help she needed from them to implement it effectively. The executives had already become used to her passion for people and probably tolerated more challenge from group HR than from their local HR teams. Given this relationship, and with the backing of each of the divisional HR directors and relevant people data, they felt able to support her vision as they could see the immediate benefits of the ONEHR approach in their own businesses.

With their support, she built upon the human capital model and vision to develop the ONEHR plan. This plan has been refined and reproduced each year since 2004, but its structure and focus have remained remarkably true to the vision during this time. For example, the human capital model is still central to the 2009 plan, having been updated to reflect progress since 2004. However, a recent enhancement that created an air of excitement with the group executive team has been the inclusion of the HR "value triangle" (see Figure 2). This model shows the three different ways in which HR can provide value to the business, increasing in impact from the bottom to the top of the triangle.

This model is now used to engage with the business leaders about the type of support they need, and their ongoing expectations of HR. The divisional chief executives understand that value for money HR activities are provided by their own HR teams, and should be implemented consistently in each of their divisions to maximize overall results. They understand that the transformation of the HR functions (implementing the Ulrich business partner model) has moved them further up the triangle towards the human resource management level. These added value activities are those they need to tailor and specify themselves, each working with their own divisional HR director, depending upon their

Figure 2 HR value triangle



particular business needs. Finally, there is clear positioning of the role of group HR in taking the lead on the “created value” activities, at the apex of the triangle. While the transformation of HR is an ongoing and ever evolving process, the group executive team is now fully supportive of the strategy.

QBE’s core HR processes

Performance management process (PMP)

The first area of focus was performance management. QBE operated a number of different performance management processes prior to 2003. There was no consistency between these processes, nor were they integrated with other HR processes – for example, reward and remuneration policy, providing motivation to improve job performance or supporting the business in gaining a competitive advantage from its talent.

In 2005, group HR introduced a single performance management process (PMP) across all divisions as part of the ONEHR plan. This new global process uses a single form with a common rating scale and descriptors to provide a consistent language for measuring and maximizing performance against business objectives. The process also incorporates “essential behaviors” as part of determining how objectives should be achieved and a personal development plan to document personal and professional development to support the achievement of business objectives.

To maximize engagement from the business, PMP was deliberately designed to be simple, time efficient and aligned with divisional planning schedules. Its introduction was also supported with PMP training in giving and receiving feedback, managing poor performance and raising the standards of achievement along with new guidelines and reference materials. PMP continues to be improved, and the group HR team has used a number of inputs for ongoing development, such as an external review and benchmarking exercise, focusing in on specific parts of the process to drive greater consistency of application and using direct feedback from employee surveys to maintain its overall effectiveness.

Personal development program (PDP)

Following PMP, the focus moved to the other core areas of the human capital model, including the existing PDP, a new approach to succession planning and talent management, which would provide a more structured approach to managing QBE’s senior managers. Importantly, an early investment was made in recruiting a dedicated resource, Claire Davies, who came on board in June 2004 to lead what would be extremely high impact work in these three areas.

The original plan was to start with succession planning, but as this was being developed, it became apparent that there was limited value in having a process in place to identify successors to key roles unless there was more information on those being identified – who they are, whether they indeed wanted to do a particular job in the future and whether they were being effectively developed towards a “next” role. Group HR also felt the process needed more objective criteria for successor identification, as inputs were being based on the interaction between divisions or divisional CEOs at that time. It appeared to HR there was a lack of visibility of overall organizational talent and duplication of names for a number of key roles.

Group HR therefore needed to find a way of gathering information on potential successors in conjunction with a succession planning process that would also position the team as a facilitator to support better decision making at the group executive level. An obvious vehicle was the series of “PDP days” that the group CEO held with his direct reports. This process resulted in a personal development plan with key objectives for each of these executives but group HR felt they were fairly informal, with progress against plans not always monitored.

In 2005, group HR re-invented this process and introduced a more in-depth, facilitated program to address succession planning which incorporated PMP for QBE’s most senior managers. Group HR presented this new approach to the group executive as a more

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structured version of the same process, building on its success but helping to involve more people. The team felt that given the company's growth, the group CEO would not be able to spend one-on-one time with all of the key people in the business or those who might be identified as successors for the group executive positions. So this process offered him, the group executive and group HR an opportunity to gain more information on people and provide the business with options for succession decisions in the future.

Succession planning

Alongside PDP, work continued on developing a robust succession planning process across the group, which since then has enabled regular reporting to both the group board and external regulators on succession plans for all group executive roles.

This succession planning process is slowly being cascaded down the organization to incorporate the top 100 roles, using PDP as the communication tool. PDP enables QBE to consider the risks associated with each key position and current incumbent along with development planning for identified successors. Further improvements have been made over the past four years to the succession planning process, particularly to increase validity of identified successors in terms of realistic timeframes and ensure regular monitoring of progress against agreed development plans. The ultimate goal is to develop true successors rather than just replacements for key roles – i.e. people who will be able to perform better or have potential to take the role further which, in turn, will strengthen organizational bench strength and ensure leadership continuity for the future.

Talent management

To integrate and align all talent management activities across the group, group HR has been working to introduce a single approach that can be implemented consistently. The team has recently engaged the divisions in developing a new framework and has also begun piloting its approach through several group-led talent initiatives. The success of these pilots is starting to bring the business and divisional HR teams together around group HR's approach. However, the team recognizes that, given this is the last of the core processes to be implemented, there is still a long way to go to develop an effective approach to talent management.

Leading cultural change

Smith inherited a set of existing essential behaviors that had been developed during the 1990s by the group CEO to establish a framework for “the way we do things around here” based upon what he had identified as the key differentiators in the QBE business model. These behaviors were firmly embedded in Australia and Asia, and the group CEO believed these would facilitate the development of a common culture across the whole organization, which now included a number of significant acquisitions in the Northern Hemisphere. Smith could see how this framework would support both the QBE culture and the goal to influence the overall management of people across the organization.

Feedback from parts of the business suggested the framework was not appropriate for them but Smith realized that for her to be successful, she needed to deliver the vision of the group CEO. She did not want to risk losing the strong sponsorship that successfully existed for the framework in some parts of the business and from the group CEO. She used this framework as the basis for plans to build a common culture, and gained further sponsorship by

demonstrating how the framework could usefully support other HR activities to meet business needs.

In 2005, group HR with the support of the group CEO, introduced a new stream of OPENUP QBE programs (an anagram of the nine essential behaviors). Designed in conjunction with key individuals within the business, the group HR team has been able to minimize perception of the differences and redirect the focus on driving business objectives with the introduction of the “business improvement project” – i.e. no longer just an initiative designed to embed the culture. To date, this has proved to be a successful template for introducing change and engaging with the business, by building on success, not reinventing the wheel and playing the long game. Frank O’Halloran, group CEO says:

Since 2003 Smith has worked on an incremental basis to enhance and embed QBE’s long-standing “culture” into all our divisions, through the application of robust HR processes. She has gained the support of all our operations, engaged and worked with the business in each of our divisions to ensure the HR agenda is aligned to our vision and business goals with terrific and outstanding success.

HR established as a business partner

Under Smith’s leadership, the basics are now in place. More importantly, HR has been able to support some of the major organizational restructuring that it would not have been in a position to help with previously. Divisional HR directors consult Smith, acting as if they have a dotted reporting line even though they do not, and as a result, the overall HR function works together to achieve one set of objectives.

Since 2003, group HR’s previous operational focus has developed into a more proactive, strategic one, leaving the delivery of bulk, day-to-day, operational services to the divisional HR teams. Together, HR’s relationship with the business has been transformed and is now working as a true business partner, contributing at all levels of the HR value triangle.

In summary, these factors have driven group HR to engage and lead the HR aspect of the business forward in a way that few HR teams manage to do. Ultimately, this leadership has had a very considerable positive impact on QBE’s overall business results and the development and retention of its people. Voluntary turnover statistics have decreased steadily year-on-year confirming the positive nature of staff engagement worldwide. As at 31 December 2008, QBE’s group wide turnover was 8.7 percent, showing a 3.4 percent positive decrease since 2003.

Key success factors

The most critical factors underpinning this success include:

- Having a group CEO fully supporting the HR vision.
- Developing a clear ONEHR approach, aligned to the needs of the business. This has helped group HR to integrate core HR processes, which maximize the individual benefits of each one.
- Making a point of not introducing anything too challenging, building on existing developments, only attempting to deliver what the business is ready for and prioritizing the group HR team’s time to ensure that it is able to do a relatively small number of things really well, and once something has been implemented, resisting the temptation to change it unnecessarily.

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- Focusing strongly on engaging the business. From an HR perspective, QBE's business leaders would admit that they now better understand the potential value that HR can add. As a result, group HR has first needed to create demand, then offer solutions – the team spends considerable time with business leaders individually talking about what it is advocating and explaining the benefits of this for the business. This “lobbying” approach is vital to team sponsorship at the group executive level.

About the authors

Jenni Smith is group general manager, HR at QBE Insurance Group, based in Sydney. She joined QBE in 2003 working with the group chief executive and global senior leadership team. Prior to QBE, she was general manager HR, International at Telstra Corporation Ltd, with specific Asia-Pacific responsibilities. Before relocating to Australia in 1999, She had extensive business and human resources experience in London in the advertising and television industries. Jenni Smith is the corresponding author and can be contacted at: jenni.smith@qbe.com

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