

American Airlines: A fresh take on human resources services

Overview

■ **Business Challenge**

American Airlines sought to enhance capabilities in areas such as compensation, learning and employee benefits so that it could continue to achieve its strategic human resources (HR) objectives. However, its internally developed HR support platform was reaching the limits of its ability to address change and be maintained in a cost-effective manner.

■ **Solution**

American partnered with a team of IBM and IBM Business Partners to build a new, outsourced global HR infrastructure. The objective was to achieve high standards of service delivery excellence, while positioning the airline to more easily capitalize on future developments and opportunities and allowing American to dynamically respond to potentially dramatic business cycles.

■ **Key Benefits**

- Leverages best practices and operational efficiencies from strategic outsourcing partners
- Offers an enhanced call center and online experience for self-service



Achieving best-in-class capabilities in key business functions is a highly desirable goal for any company. That's what American Airlines, one of the world's largest scheduled passenger carriers, accomplished several years ago by creating its own internally developed, shared services model for human resources.

As good as American's systems were, there was still opportunity for improvement. American ran an outstanding shared HR Service Center, but the technology supporting that operation was dated and the cost to maintain and upgrade its capabilities was high.

“Beyond the immediate objectives, this platform positions us for the future and gives us the freedom and flexibility to deal with all eventualities.”

— David Levine, Managing Director of HR Delivery

Achieving the dual goals of service excellence and optimal efficiency

Business Benefits

- Maintains and upgrades application infrastructure with additional functionality in a cost-effective manner
- Leverages best practices and operational efficiencies from strategic outsourcing partners, freeing internal resources to drive greater business value
- Improves business agility by providing a variable cost model, allowing the airline to more easily expand and contract in response to economic pressures
- Provides best-in-class delivery of human resources services while positioning American to capitalize on future opportunities for optimization
- Offers an enhanced online and telephone experience for employee self-service through more robust Web-based applications and improved call center capabilities

“We already had a good product, but we needed to determine where we should be five years down the road.”

– David Levine

“In the airline industry,” says David Levine, Managing Director of Human Resources Delivery for American, “we’re not only looking at growth—we follow the economy and have to be able to expand and contract as needed with minimal disruption. With the current economic climate, we have increased incentive to make ourselves more cost-efficient and nimble.”

By 2005, improvements to American’s human resources platform were starting to slow. It was becoming more difficult and costly to optimize and maintain the systems, and the company was beginning to see the need to refresh some of its technology. “The question going forward became, ‘should we invest more internally, or form a strategic partnership with a world-class provider and by so doing leverage its investments in research and development instead?’ We already had a good product, but we needed to determine where we should be five years down the road,” says Levine.

When a company creates as robust a set of capabilities as American had, there is a natural tendency to believe that keeping things in-house is the wisest move. After a thorough study, however, it was decided that a strategic partnership would in fact be the next logical step for American—provided that the solution could at least match the airline’s current capabilities and performance. Outsourcing would ensure that the technology used would be kept up to date, eliminate direct maintenance cost, leverage expertise from industry experts, and most importantly, provide a cost-effective, flexible business model to meet the airline’s current and future requirements.

A project of extraordinary complexity and scope

The extent of the HR transformation project was considerable. “American Airlines may not be unique in terms of the complexity of our needs,” says Levine, “but we have a very large number of requirements and high expectations for service delivery excellence.”

American selected IBM, which assembled a global team of IBM Business Partners to address this large and complex project. Human resources specialist Mercer provided key consulting services, helping to identify where cost savings could be realized and how to seamlessly transfer American’s existing HR functions to the new architecture. American, Mercer and IBM partnered to transform and optimize existing HR business processes, create new processes that would facilitate the transition, and integrate the new applications with American’s IT infrastructure.

The IBM team supplied a powerful set of applications to handle the functional requirements of the solution. The key was to identify which functions were a good fit for the new outsourcing model, then assemble best-of-breed commercial applications to handle those functions, leaving other, strategic aspects of HR operations in American's hands. While this is a more cost-effective way of addressing the challenge than extensive custom development, it requires careful and thorough planning and expert integration work to ensure that service levels are maintained and no capabilities are compromised.

The solution ultimately incorporated a variety of tools from IBM, several IBM Business Partners and other vendors. Mercer provided a holistic software suite, which includes its Benefits Workstation core recordkeeping system and ePrism for salary planning. Other solution components included Liveperson for real-time chat, Taleo's software suite for talent management and recruiting, SuccessFactors for performance management and Workscope for compensation management. IBM contributed the eHR Web-based HR management and service suite providing for an online knowledge base and Employee Services Call Center integration, along with service components including business process outsourcing services.

IBM and the team it assembled, along with American, then took these processes along with the updated technology base and delivered several new services to American Airlines management and employees, including:

- *Selective Learning Services – Administrative Support, Content Development and Maintenance, as well as Course Delivery*
- *Talent Services for recruiting and compliance*
- *HR Services Call Center*
- *Compensation Management*
- *Organizational Development and Performance Management*
- *Health and Welfare Consulting, Communications and Administration*
- *Pension Administration*

The solution addressed more than American's functional requirements. In order to address the business need for flexibility—namely, the ability to scale both up and down in response to potentially dramatic changes in the economic climate—the IBM solution incorporated a variable pricing model. This allows American to dynamically and effectively respond to business cycles while maintaining high utilization of its resources.

Solution Components

Software

- IBM: eHR
- Liveperson
- Mercer: Health and Welfare Benefits suite 4.0—Benefits Workstation, ePrism
- SuccessFactors: Performance Manager, Total Goal Management, Succession Planning, Career Development
- Taleo: Enterprise, Connect Broker, Passport, Advanced Reporting, Resume Parsing, On-Boarding
- Workscope: Compensation Planner

Services

- IBM Global Business Services
- IBM Global Technology Services—Business Process Outsourcing Services

IBM Business Partners

- Mercer
 - Taleo
 - SuccessFactors
 - Workscope
-

Smarter Travel and Transportation

To optimize its business, improve cost efficiency and enhance flexibility, American Airlines chose to transform its best-in-class human resources operations by engaging in a strategic outsourcing partnership with a team of IBM and IBM Business Partners. The new, global operation provides seamless continuity with American's existing operations while positioning the airline to respond more easily to economic forces and future opportunities for optimization.

IBM also made full use of its global reach to deliver greater value and cost efficiency, spreading functions across locations in the United States, Brazil, the Philippines and India, operated by a mix of IBM, Mercer and American employees under a multi-year contract. The solution, combined with the advanced functionality of the new software and the new facilities, enables service personnel to work smarter and more effectively—for example by allowing call center representatives to handle multiple clients simultaneously.

Transition that leads to transformation

Levine emphasizes that the initial objective of the project was to provide at least equal services and continuity, rather than new functionality or improved performance. “The overriding concern is integration. A smooth transition is very important to us. Having said that, we have gotten some good improvements—eHR and the performance management systems give us some new capabilities, for example, and Mercer has given us a new plan for health and welfare administration that we could not have handled easily with our old technology.”

This emphasis on seamless transition is critical to American. Levine draws a clear distinction between transitioning to a new system and the business transformation that new technology can enable. “Especially when it comes to something as large and complex as this,” he says, “transformation and innovation doesn’t just happen. First you have to undertake the transition itself, then stabilize the systems, then achieve a steady state that is directly comparable to where you had been—all without any significant interruption of service or loss of functionality. Only then can you really start to transform the business.” Currently, American has achieved a steady state for most functions and is working together with IBM to identify areas of opportunity for improvement. Projects that, due to resource limitations, would not have been considered prior to the strategic partnership are now within the realm of possibility.

“Our immediate goal is matching the excellence in service delivery that we’ve always had,” Levine notes, “and we’re at or ahead of where we thought we’d be at this point. Beyond the immediate objectives, though, this platform positions us for the future and gives us the freedom and flexibility to deal with all eventualities.”

For more information

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