

Changing HR operating models

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Many see debates about how the human resources (HR) function should be structured as secondary to the role HR plays in business. But in reality, you cannot address one without the other: the way HR is structured can have a big impact on the function's ability to add value and perform the role the business needs it to perform. While it is not helpful to try and identify a single model for the HR function of the future, it is important to understand the various arguments and theories around HR structures, so that business leaders and HR directors can decide which approach will deliver the most value for their organisation.

The model synonymous with Ulrich still dominates much of the discussion today. What Ulrich was trying to address when he observed and wrote about this model was the need for HR to deliver both administrative and strategic activity. Organisations were achieving this by bringing together administrative and specialist services into shared service centres and delivering value-adding services through a role closely aligned to the business – the “HR business partner”. Followers of his work will know that his thinking about the competencies the HR function requires has evolved over time. His most recent contribution to the discussion highlights the

importance of HR governance and relationships[1].

In practice, many people have hung on to Ulrich's original thinking and adapted the model in an attempt to fit the needs of their business. This is not a bad thing – after all, Ulrich wrote all along that the model needs to fit with the context of the individual organisation. But what some forget is that the design of his original model of shared services and HR business partners is best suited to larger, matrix organisations.

The CIPD's annual HR Outlook reports from 2010-2014[2] highlight some of the holes in the current rhetoric about the dominance of the Ulrich model. By surveying HR practitioners, it becomes clear that the most widely used model for the last four years (in the UK at least) has been a single HR team with generalists, specialists and administration working together. The so-called Ulrich model sits in second place and is now a stretched and misshapen version of the original, which is probably why it has attracted so much (perhaps unfair) criticism in recent years.

To better understand the different operating models and the future of the HR function, the CIPD has collected together thought pieces from a number of leading thinkers who are all active in the debate.

Research by contributors Orion Partners, for example, found that over 77 per cent of organisations felt the Ulrich model had contributed to the efficiency of the HR function, helping with a commercial focus, than had been the case 10 years ago. Although encouraging, the wider goals of a successful HR model is to drive both operational efficiency and add value.

Indeed, it would seem that the focus and success of HR over the past 20 years has been through operational excellence. Writers such as Spence and also Williams[3] acknowledge how the increasing influence of cloud-based technology is likely to drive operational excellence even further. The challenge therefore seems to be much more about effectively contributing to organisational performance, than anything else.

Although all areas of the HR function should play a role in helping the organisation to achieve its goals, the HR business partner and centres of expertise are those with particular potential to maximise the performance in the wider business. Again, although many organisations claim to have adopted a model with HR business partners and/or centres of expertise, the reality is that these roles differ from business to business, and some even differ within the same organisation. Our research shows significant variations in the role of the HR business partner; some are more operationally focused than strategic, others have more specialist HR

skills, whilst some would describe themselves as “business first and HR second”. Similar differences occur with centres of expertise, with some having a relationship with the business, and some not. Certain organisations even operate as “networks of expertise”[4], bringing together the required skills and knowledge to develop solutions rather than “centres of expertise”.

As recognised by all of our contributors – either openly or indirectly – a key challenge is establishing what the business requires from its HR function to add value. However, it is not that simple – often the business does not know what it needs, and in some cases, what it requests from the HR function is different to what HR wants to provide. What is becoming clear through our research is that before jumping straight in to making structural changes, HR must be clear about the role it has to play in the organisation.

The CIPD is particularly aware that the world of work is changing, and we are following debates about the future of HR very closely with a view to helping the profession develop the necessary skills to support organisations going forward. The future might not be easy to forecast but it is clear that no matter which direction it takes, people will be key to organisational success and the HR function is uniquely placed to unlock their intrinsic value.

Once an organisation understands this, and decides what role HR

should play, structural changes can then be made to make sure it is best placed to fulfil the role. By developing a clear set of design principles, informed by the customers of HR, organisations can develop an HR operating model that aligns with the overall organisation’s operating model. Better still, HR professionals can use their organisation design skills to start from the top-down and by helping to develop the overall model first[5]. But it is not all about structure; the use of technology, relationships, capability, culture, behaviour, governance, process, strategy are all crucial and should all be reflected in the design principles.

Notes

1. www.cipd.co.uk/pm/peoplemanagement/b/weblog/archive/2015/03/24/the-future-of-hr-is-about-relationships.aspx
2. www.cipd.co.uk/research/hr-outlook.aspx
3. Cited in HR operating models – www.cipd.co.uk/hr-resources/research/changing-hr-operating-models.aspx
4. As described by Bersin in HR operating models – www.cipd.co.uk/hr-resources/research/changing-hr-operating-models.aspx
5. As stated by Fishman and Fry in HR operating models – www.cipd.co.uk/hr-resources/research/changing-hr-operating-models.aspx

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