



Maximizing the HR Operating Model

A GUIDE FOR CEOs, CHROs & HR LEADERS

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INTRODUCTION



Growing Challenges Face Human Resources

Human Resource (HR) functions have come a long way from their Industrial Era-focus on administering payroll, benefits, hiring and compliance. At most organizations, HR has evolved into a strategic partner that advises C-suite executives, leads talent efforts, and enables other functions in the organization to address human capital issues like hybrid work models and employee engagement.

With such a broad remit and portfolio of services, HR executives are stretched to lead an ever-changing functional domain in organizations that are constantly undergoing significant transformation. To top things off, recent industry surveys suggest **10 key trends** that pose challenges and will require the best thinking and adaptive leadership to address.

LET'S REVIEW THESE TRENDS:



1. **Attracting the Best** – Employers seeking top-quality hires must navigate a candidate-driven market where they no longer have the upper hand. Millions of baby boomers retire each year, taking valuable knowledge and experience out the door as they leave the work force. Meanwhile, there are millions more open jobs than there are qualified applicants available, making it more difficult and expensive for organizations to attract the best talent.



2. **Hanging On to the Team** – The same factors that shifted the balance of power to job seekers also make it more difficult to retain current employees. Skilled workers may find numerous organizations bidding for their talents. The pandemic-driven Great Resignation also meant millions of people changed jobs or exited the labor force entirely to pursue more favorable lifestyle choices. HR leaders must continually explore creative options to attract and retain top talent to backfill open positions or expand their workforce to support growth ambitions.



3. **Striving for Proactive Engagement** – Another adverse after-effect of the COVID-19 pandemic has been declining rates of employee engagement. “After trending up in recent years, employee engagement in the U.S. saw its first annual decline in a decade -- dropping from 36% engaged employees in 2020 to 34% in 2021,” according to Gallup polling (<https://www.gallup.com/workplace/388481/employee-engagement-drops-first-year-decade.aspx>) “This pattern has continued into early 2022, as 32% of full- and part-time employees working for organizations are now engaged, while 17% are actively disengaged.” However, the report added, some organizations have reversed that trend through better communications, flexible work environments, prioritizing employee well-being, and using culture to better guide decisions. “Getting the basics of employee engagement right is a critical first step in building a resilient culture and an employment brand that attracts stars,” Gallup states.



4. **Moving DEI from Initiative to Lifestyle** – While, diversity, equity, and inclusion (DEI) programs vary in their effectiveness and maturity, they have become a top consideration for job candidates and employees alike. Executives continue to develop more robust programs and seek more ways to integrate DEI initiatives into the workplace, but there is still significant room for improvement.



5. Keeping Pace with Skill Demands – One of HR’s key responsibilities is ensuring their organization’s workforce keeps pace with evolving skill demands. “The total number of skills required for a single job increased at 6.3% annually, and new skills are replacing old ones,” Gartner stated in a 2022 survey (<https://www.gartner.com/en/human-resources/trends/top-priorities-for-hr-leaders>). Leaders increasingly face more complex decisions over whether to hire employees with new skills, provide training for existing employees, or rely on contractors and outsourced partners to meet future skill demands.



6. Applying Advanced Technologies – Only about 10% of organizations have transitioned to HR 3.0 – a methodology that uses technology, AI, and other advanced tools to transform HR departments into agile consulting practices – according to IBM (<https://www.ibm.com/blogs/services/2022/03/01/hr-3-0-its-time-to-reinvent-hr>). “Businesses that undertake strategic digital transformation have an unmatched opportunity to reinvent the employee experience and to put people’s needs first,” IBM stated. “As companies move data and applications to hybrid cloud environments, they can simultaneously transform processes, workflows, and mindsets to become people-centric organizations.” Over the long term, automation will free up more time for leaders to focus on higher strategic priorities.



7. Maximizing Hybrid Ways of Working – According to Gartner, 95% of HR leaders expect at least some of their employees to continue working remotely for the foreseeable future. The acceleration of hybrid work continues to drive significant transformation in the workplace. HR departments are engaged in helping maximize these programs to support collaboration, create authentic workforce experiences, retain and engage team members, and provide flexibility around work/life balance.



8. Creating Winning and Purposeful Cultures – Many employees say culture – not money – is the main reason they change jobs. Candidates and current employees alike seek a positive workplace culture that aligns with their lifestyle and values. “Employees need to see the intended culture and values lived out daily,” Gallup stated. “The most successful organizations put their values at the center of decisions.” HR leaders need to help transition their workplace culture into a supportive, empowering environment for all employees.



9. Thinking about the Whole Employee – Benefits such as employee assistance programs, wellness initiatives, childcare, and parental leave are even more important today as candidates and employees evaluate competing job opportunities. “Consider how career, social, financial, physical, and community well-being affect employees, and provide resources designed to improve these important elements of well-being,” Gallup advised.

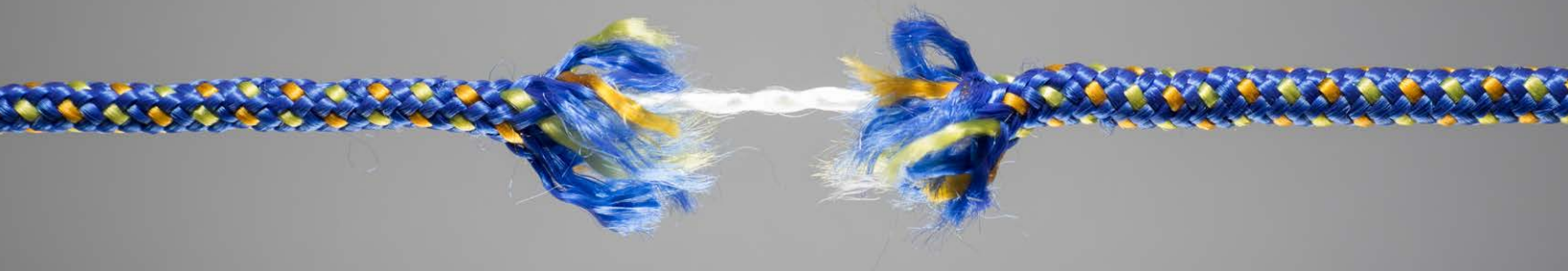


10. Embracing Organizational Transformation. The rapid pace of change over the last few years shows no signs of tapering off, increasing stress for managers and employees alike while demanding Agile ways of working and repeated work pivots. HR leaders need to lead the way on addressing those challenges. For example, Gallup recommended, “Consistently upskill managers to coach their employees through their strengths.” HR departments are on the front lines of the impacts of change and are often the first to see its effects on employees. They are also the tip of the spear in building internal organizational change capabilities by adopting change methodologies and applying sound change practices.

These trends represent challenges for HR executives and functions as well as a call to action. HR leaders need to look at how effectively their current HR functions are set up and equipped to address these trends in line with the real-world marketplace challenges their organizations are facing. A strong HR function can play a critical role in the development and smooth execution of a company’s strategies and business model execution. Unfortunately, too often, the design of HR functions gets in the way of delivering optimal results.

In this guide, we will explore some of the constraints traditional HR operating models face in how they are designed and suggest modifications to make these functions more effective strategic partners. Maximizing HR’s ability to deliver as a strong strategic collaborator enhances the entire organization’s ability to address the significant growth and marketplace challenges ahead.

CHAPTER 1



Tension Points in the Conventional HR Model

Most HR functions are structured around an operating model known as the “three-legged stool” or “three box” approach. This three-pronged business model originated with David Ulrich’s 1997 book *Human Resource Champions*. Since then, the concept has evolved and expanded with additional publications by Ulrich and other HR industry thought leaders.

This approach recognizes three primary bodies of work within an HR department:

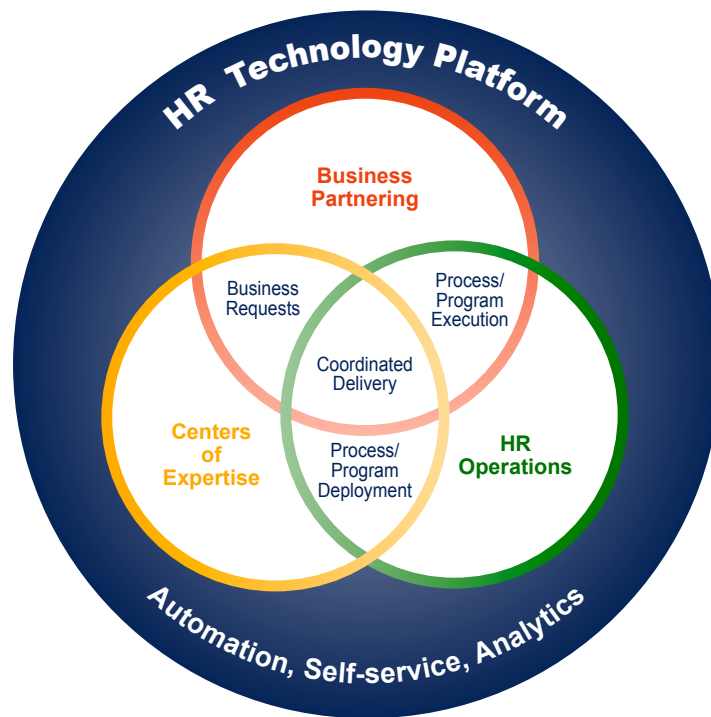
- ▶ Consulting with managers, business leaders, and employees on strategic HR-related needs;
- ▶ Development of HR policies, practices, and programs; and
- ▶ Executing transactions (such as payroll adjustments or benefits program enrollment.)

Over the past twenty-plus years, almost every HR function in the world has organized around the three-legged stool, which is now regarded as the conventional model for the human resources function. The function typically consists of three organizational constructs responsible for the functions listed above:

- ▶ **Business Partners.** Often located within specific business units, business partners are individuals or small teams that serve as internal HR consultants to managers, senior leaders, and/or staff members. Business partners primarily offer managers strategic

advice tailored to the needs of each business unit. Customer-facing business partners provide the primary liaison between managers and other parts of the HR function.

- ▶ **Centers of Expertise.** Centers of Expertise (COEs) are ideally comprised of small teams of experts with specialized HR knowledge in such technical areas as recruitment, compensation and benefits, employee learning, organizational design, and learning and development. The program-facing COE teams collaboratively create and implement policies, procedures, and programs that tailor industry best practices to address the needs of the organization.
- ▶ **HR Operations.** Also known as shared services or shared service centers, this section handles common administrative duties for other units across the organization. Centralized shared services units deal with routine employee-facing transactions such as payroll processing or benefits enrollment. Operations may only handle HR-specific transactions, or they may deal with broader activities not specifically related to HR (such as help desks and self-help portals). Service centers are managed internally and/or through third-party providers.



Large, complex organizations with numerous business units modify this basic model to meet strategic and tactical needs. While the model offers wide latitude for companies to revise the approach, it also contains natural organizational tensions that can challenge any HR leadership team as they attempt to deliver the expected human capital services and strategic value.

There are four major tension points that come up repeatedly when we are asked to help an organization redesign its HR function. Some of these HR functions are already using the three-legged HR design outlined above, but because of these natural tensions, more design work is often required.



TENSION POINT #1: HR LEADERSHIP WEARS TWO HATS.

Chief Human Resources Officers (CHROs) wear two distinct hats. One is overseeing and managing the entire HR function. The second is serving as the senior-most strategic HR advisor for the company as leaders set corporate policies, manage executive talent, and guide the organization's strategic path. The CHRO works with other C-suite leaders to establish policies, philosophies, and strategies around the organization's human capital. They do this while also managing the large, complex and consequential functions of daily operations. The CHRO (or head of the HR function) is second only to a company's CFO in having to successfully split their attention between two critical roles: running a corporate function while also being a hands-on strategic advisor to the company's C-suite.

TENSION POINT #2: CENTERS OF EXPERTISE ARE OVERBUILT.

Centers of expertise were established in the three-pronged HR deliver model to design, build, and maintain human capital policies, practices, and programs (i.e., compensation plans, talent programs, employee policies, etc.). But in many organizations, the COEs in HR are overbuilt – meaning they have more resources, expertise, and capacity than they really need. COE leaders and team members might disagree with this point. But just like putting a Ferrari engine in the family sedan, COEs are often powerful engines of design and development that can overwhelm and outstrip the organization's ability to effectively use or deploy the HR policies, processes, and programs they develop.

Indeed, in the early days of an HR function, COEs need to build the policies, processes, and programs that will allow HR to deliver and scale. However, as the HR function matures over time, the pace and amount of new policy, process, and program building that is needed levels off. That Ferrari engine is no longer required. Yet many companies still have large COE teams with ample capacity and expertise. Once the foundational HR components have been built and fine-tuned, these groups may find themselves making up work to do. Overbuilt COEs draw resources and know-how that could be used for other things of value in the organization.



TENSION POINT #3: HR BUSINESS PARTNERS' SCOPE IS TOO BROAD.

Business partners consult with managers and leaders on strategic people and organizational issues facing their departments or divisions, such as talent management and organizational transformation. That focus is fundamentally different from dealing with such tactical matters as employee relations and improving manager skills. However, since these HR consultants work “out in the field” in the business units, they often become involved in both types of issues: strategic consulting and, say, dealing with an employee who is stealing from the company. Each of those organizational needs require different skill sets – and likely different resources. Yes, HR business partners have become the face of HR to many leaders and employees in the company and are pulled into a wide range of people-related matters, whether they are the ideal resource for such work or not.

TENSION POINT #4: HR OPERATIONS TEAMS AND HR TECHNOLOGY PLATFORMS ARE UNDERDEVELOPED.

Organizations with mature, capable HR operations exist, but in too many HR functions, the HR operations team is underdeveloped and under-resourced. It lacks the robust technology that would make it a necessary and effective part of the three-legged HR delivery model. This tension point originates because HR operations teams sit at the nexus of HR COEs (designing and developing HR processes and programs) and HR business partners (consulting to the business). As such, resources are often held back from the HR operations team. They may not receive all the work that is appropriate for them to deliver. Another reason HR operations teams struggle to grow and mature is that sometimes HR leaders over-react to negative sentiments from employees and managers having to use or rely on HR operations and related self-service tools. As a result, COEs and business partners retain much of the work that could and likely should be done by HR operations.

How can organizations address these challenges? In the chapters ahead, we will examine each of these four tension points and propose how HR leadership teams can implement solutions.

CHAPTER 2



Split Attention: HR Leaders' Two Major Responsibilities

Most business leaders understand that talent presents the top challenge facing their companies. Yet, many leaders mainly see the HR department as a necessity. They do not always appreciate the value the HR function can add to their strategic success, and consequently, to their bottom line.

Human capital issues are often vital components underlying corporate strategy and business operations. Despite this, many C-suite executives perceive their HR leaders to be more focused on administrative and compliance matters than the larger issues facing the organization. “Seventy percent of chief executive officers (CEOs) expect their chief human resources officer (CHRO) to be key players in enterprise strategy, but only 55% say their CHRO meets this expectation,” according to research by Gartner, Inc. (<https://www.gartner.com/en/human-resources/role/chro>). The report states that, “Many HR executives are ill-prepared for this greater [strategic] responsibility.”

One reason many people leaders are challenged in this area is that their focus is divided between two conflicting priorities. Whether known as CHRO, chief people officer, executive vice president of human resources, or another title, the HR leader often must split their time between a strategic consulting role with the C-suite on behalf of the business as a whole, and a functional leadership role that oversees and manages the activities administered by the HR function.

ROLE #1: PEOPLE ADVISOR TO THE C-SUITE

A major role for the organization's chief people leader is working with the CEO, CFO, and other top leaders to develop strategy, set policies, and define culture and associate engagement philosophies. That scope includes diversity, equity, and inclusion (DEI) initiatives, corporate culture, associate engagement, talent management and succession planning, executive compensation, and HR policy and practices.



These factors have a significant impact on the organization, its leadership, and its workplace environment and culture. They require considerable thought and partnership with the other C-suite executives.

Take DEI, for example. Nearly every company today has a chief diversity officer to tackle those initiatives, but effective programs begin in the C-suite. We all realize attitudes around diversity do not change simply because someone puts together a presentation deck or launches an initiative. Change in thinking and actions follow when leaders of the company come to grips with those issues, their nuances, and the importance of the issues to the people who work at the company. Leaders set the tone and eventually decide, "This is who we want to be; this is how we treat our employees." The HR leader role is often at the center of these discussions. Developing DEI eventually means there will be plenty of tasks for others to do, but a solid DEI platform begins with executives working with the CHRO and outlining their philosophy and expectations for DEI and its role in the business.

The same is true for other people-related matters: guiding corporate culture, deciding how to handle performance, talent recruitment and retention, succession planning, determining pay and rewards, and so forth. It takes a leader who has enough time to focus on those issues – and consider them in depth – to be an effective people advisor to company leadership.

ROLE #2: HR FUNCTION LEADER/MANAGER

Meanwhile, the human resources function still needs to be led and managed. The CHRO faces numerous day-to-day matters that need attention, such as:

- ▶ What should the COEs be working on?
- ▶ Are the business partners equipped to consult effectively with business leaders?
- ▶ Does the HR operations team have the systems and processes in place to perform as a mature and effective part of business?

They also face a litany of tactical matters, such as how to shift resources to support the latest company acquisition, how to handle an escalated employee relations matter, what policy changes will ensure optimal data privacy for employees, meetings with well-intended vendors looking to pitch the latest HR best practices and services, process improvement efforts, and so on. These are all substantive concerns that have an impact on the function's performance and effectiveness. The HR leader must juggle these concerns and others as they manage and oversee all the function's activities.

HERE'S THE RUB

In most HR organizational structures we encounter in our practice, there is a single leader of the HR function – a VP of HR, a CHRO, or a chief people leader. Sometimes they are supported by vice presidents or directors who are responsible for HR COEs, client business partners, and/or HR operations teams. For ease, we will refer to this single HR leader as the CHRO going forward.



Ironically, despite all the daily HR functional demands (Role #2), CHROs typically spend most of their time outside of their own department, collaborating with the C-suite on people matters (Role #1). This sometimes leaves the HR sub-functions to sort out cross-boundary issues on their own, to juggle long lists of unprioritized to-dos, and to react to a never-ending list of requests and issues surfaced by business leaders and employees. Some HR leadership teams are great, but others suffer from political infighting and pursuit of misaligned sub-functional agendas – compensation vs. talent management. In practice, HR leaders will gather for the periodic strategy session, but for the most part, the HR sub-function leaders and their teams work independently from one another. As a result, these HR departments appear to others as ranking among the least effective functions in the organization.

A POSSIBLE SOLUTION

One possible approach to address this significant leadership tension point is to divide the top HR leader's responsibilities. The CHRO can focus on being the strategic people advisor to the C-suite and playing the key HR thought partner role for the business (Role #1). This could assign the CHRO's HR functional leader role (Role #2) to someone else. In practical terms, perhaps adding an HR chief of staff or an HR chief operating officer (COO) type of role to essentially run the HR function can free the CHRO to focus most of their time and attention on being the people advisor to the enterprise.

For a model like this to work, the division of responsibilities need to be well defined so the CHRO and the HR COO don't overlap duties or send mixed messages to the organization. Yes, the CHRO should still be seen as the top human resource leader for the business; however, the HR COO should handle all the day-to-day HR functional duties. This type of partnership will require strong and continual communication between the CHRO and the HR COO as well as deep trust that each can act decisively and independently, but in a way that is completely supportive of the other.

The other VPs and/or directors in HR that lead its sub-functions will appreciate knowing where to go for direction and how to handle escalated decisions. Ideally, the HR COO will be this point of contact and direction so that the CHRO can be present with the C-suite of the organization and help shape business strategy and people-related philosophies.

This possible solution creates one top HR executive who primarily focuses on corporate strategy while someone else concentrates on administrative and operational matters. Every day, the HR COO makes sure that the HR function keeps running smoothly by helping COEs know what they are supposed to do, by supporting business partners in their client-facing



duties, and by building and reinforcing HR Operations activities. The HR COO should identify and address staffing matters, manage the budgets, handle labor and employee relations issues, build strategic HR capabilities like organization effectiveness and change management, administer pay and benefits, and help the organization efficiently acquire the talent needed. In turn, the CHRO remains the top HR executive who spends their time working on broader human capital concerns affecting the entire organization, thus giving the business a tangible advantage in the talent marketplace and the competitive environment.

CHAPTER 3



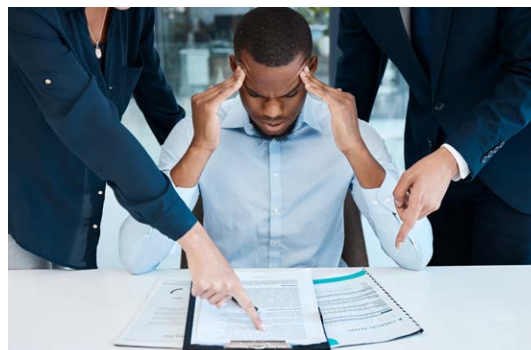
Rightsizing Overbuilt HR COEs

COEs are a common organizational construct where groups of employees with specialized expertise, skill sets, or experience are organized to design and develop policies, processes, or programs. Some of the common HR COEs include total rewards, talent management, organization effectiveness, and executive recruiting. COEs are typically responsible for strategizing and addressing issues at the company-wide level, such as determining how top talent will be rotated and developed throughout the organization. COEs use business needs and industry best practices to design and develop policies, processes, and programs that meet the business' requirements. Once built, these policies, processes and programs are modified and refined to meet changing needs or incorporate the latest thinking and technologies.

In their early days, companies need strong HR COEs full of resources and expertise to design and build every policy, process and program. As organizations grow and scale, COEs' focus shifts to support more mature people practices and programs to address employee satisfaction, administrative burdens, and resource efficiencies. Once these practices and programs are implemented, the amount of new design work tapers off and shifts to periodic maintenance. However, many COEs stay the same size. This can create several challenges for the HR function, including scope creep, creation of sub-function strategies, priorities without business sponsorship, and poor cost management. Let's look at some of these challenges in more depth.

OPERATIONAL SCOPE CREEP

Over time, as COEs deploy new programs and update existing processes, they sometimes get drawn into the operational aspects of those changes. The reason this happens is self-evident: the COE knows why the organization undertook these programs and has an in-depth understanding of how they were built. As new programs roll out, there is some logic to COEs continuing to own those initiatives cradle to grave.



However, as the number of programs, processes and practices grow, the COEs operational and administrative burdens grow too. With time, the COE shifts from being a specialized design and development team to a little kingdom of specialized designers, developers, and doers.

To prevent this, HR leaders need to determine where to draw the line between the design and development work of a COE, versus the implementation and ongoing operational work needed to execute and maintain the policy, process or program. Determining a clear and distinct hand-off point from the COE to the HR business partners or to an HR operations team is crucial.

TOO MUCH IMPROVEMENT

Many HR policies, programs, and processes don't require continuous work and review. Most only need periodic updates, from revising employee benefits annually to occasionally reviewing employee leave policies. The manager who leads a given COE should look at all key policies, processes, and programs in their domain, and decide how frequently they should review each. For example, the annual performance appraisal process and forms might only need to be reviewed every three years (assuming there are no regulatory changes), whereas the organization's leadership competency model may only need review once every five years. Determining and agreeing on the frequency of review will help ensure nobody needs to wake up every morning worrying about performance appraisals - you simply address it as scheduled on an episodic basis.

When a review of a policy, process or program occurs, be sure to reconnect with organization stakeholders to confirm shifting requirements and validate the needs of the business. HR specialists love their programs and processes like a proud parent loves their child. That said, they should avoid the tendency to assume they know what is needed and understand the priority of the business or its employees – those who make up HR's customers. A key design principle is, "fit for purpose." Don't fall into the functional goodness trap; rather, be okay with designing and developing just what is needed (and often that isn't world class).

A DOLLAR SPENT IN HR IS A DOLLAR NOT SPENT SOMEWHERE ELSE

COE leaders need to have an organizational mindset as they make decisions – not only about being responsive to the business’ needs, but also in what kind of cost burden they are placing on the organization. Each HR program, process, or policy should have some kind of financial analysis done to understand the costs and benefits. With an IT project, for example, one department in the company might decide it needs new



software to handle a certain business need. Its leaders submit a request to the IT department, which prioritizes that request against its other outstanding projects and estimates the cost. IT then tells the requesting department how and when they plan to implement the changes, and how much it will cost. If the business unit leader and upper management agree to fund those costs from the departmental budget, IT adds the project to its worklist. When resources become available, IT does the work and charges its costs back to the requesting department.

Most HR departments do not follow this same discipline. When a business unit makes a request, the COEs tend to respond quickly in an attempt to be responsive to the business’ need – not always confirming the priority or the applicability of the request across the organization. A cost/benefit analysis is not always done. Other priorities already in the queue are sidelined to add one more priority to a full slate. When a COE is over-resourced, it can usually absorb this additional workload with little more than some internal complaining by the COE team.

A POSSIBLE SOLUTION

Rightsizing COEs and instilling more planning, prioritization, and financial discipline will help address these potential COE challenges. Fewer resources are needed when the COE is only scheduled and staffed to conduct periodic reviews of existing programs, policies, and processes. In this scenario, the COE would only tackle additional reviews and updates when the department that requested the change agreed to provide a budget to cover additional resources needed to undertake the project. If the requesting leader or business unit doesn’t have discretionary dollars to invest, then they must wait until the scheduled periodic review that the HR COE has established to make changes or enhancements.

By using contract resources to meet special requests for changes to or development of new programs and processes, the HR COE limits discretionary funds to a short period of time – perhaps a few months, just long enough to complete the project. When the

contractors or consultants conclude their work, they leave, and COE staffing levels return to normal. Thus, the COE can scale up and down for additional work when other departments are willing to pay for extra, out-of-cycle work. One could envision the COEs typically working on just one or two significant initiatives at a time. When there are more projects, they would scale up when the requester pays for the added work.

To avoid a COE “finding” work to do to keep busy, HR leaders should constantly be checking with business leaders and asking, “If we were to work on or develop X, would that be something you care enough about to pay for or invest in?” The answer will often be, “Probably not. It looks good on paper, but I don’t know if our department or business unit would finance that process or program.”



Without that type of practical feedback and related cost discipline, the only real constraint on new projects may simply be whether the COE is willing and able to pursue it with a robust team of experts excited to tackle the next big thing.

Overbuilt COEs draw resources and expertise that may be more valuably deployed elsewhere in the organization. Making sure these units remain focused on their strategic imperatives and only deliver HR enhancements that are truly valued and meaningful to the enterprise ensures that the COE does not expand its activities beyond what the organization truly needs.

CHAPTER 4



Enabling HR Business Partners to Truly Be Strategic

In the typical HR model, HR business partners (HRBPs) serve as internal consultants to line managers and senior leaders across the organization. They are usually aligned to certain internal client groups, such as specific business units or functions. HRBPs are often tapped to provide both strategic and non-strategic support on HR issues. For many internal clients, HRBPs serve as the link between their clients and the other functions within human resources.

The impact of HRBPs is realized when they are positioned as strategic advisors to their clients in areas such as:

- ▶ **Maximizing the deployment and use of talent** by managing succession, developing key talent, filling talent gaps, etc.
- ▶ **Optimizing organizational effectiveness**, including diagnosing performance gaps, redesigning structures, enabling cross-boundary work, and coaching executives.
- ▶ **Advising on strategic people issues**, such as how new team members are integrated following an acquisition.

In most HR delivery models, the HRBPs' primary focus is strategic. They need to establish themselves as the human capital advisor for the business. Seasoned HR professionals with extensive HR experience and a robust business perspective are frequently called on to fill these key positions.

TODAY OR TOMORROW?

The challenging part of this arrangement lies not in fulfilling the HRBP role, as we noted in our own AlignOrg Solutions article on maximizing the HRBP role's effectiveness (<https://alignorg.com/give-human-resource-business-partners-a-break>). Rather, "It's managing the rest of HR so that the business partner isn't left being the head, heart, hands (and legs) of HR."

We continued, "Ideally, HR business partners are stripped of the transactional, necessary work, and even much of the strategic development, program-building job of HR, so that they can play a more advisory and brokering role with the clients." Business partners are ideally positioned to understand and assess business needs, and to find the best HR solution to those challenges. However, we added, "What happens (in practice) is that they become the shop-floor expeditor for HR: they run around trying to help HR execute. They find the right people to address the needs, and they free up HR resources from other activities or projects and redirect them on the strategic work needed. At the same time, they project-manage delivery of HR programs and services."

...business partners can easily drift away from their intended strategic advisory role to take on work that should be done by COEs or HR operations teams.

Over time, business partners can easily drift away from their intended strategic advisory role to take on work that should be done by COEs or HR operations teams. Because of their proximity to the organization's business leaders, HRBPs are often called upon to advise managers on how to handle routine day-to-day issues in such areas as employee and labor relations. Business leaders do need assistance and expertise to help address these HR-related matters. But too often, they turn to the HRBP they already know rather than seek assistance from the HR operations team created

specifically to handle more administrative work or tactical requests. (In a later chapter, we will address specific ways HR operations teams can be designed to provide the level of support and coverage that HRBPs and their clients need.)

When the role of the HRBP expands beyond its primary mission, bottlenecks may develop. HRBPs can become so overwhelmed by day-to-day business questions and transactional support that they are unable to effectively address and deliver on long-range strategic needs. At one firm, *HR Magazine* reported, frustrated line managers finally had to work around the HRBPs to implement new

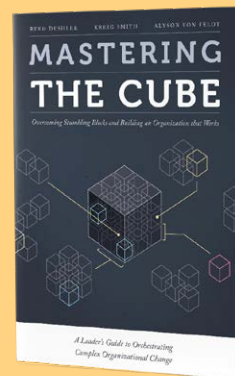
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programs (<https://www.hrmagazine.co.uk/content/features/is-the-ulrich-model-still-valid>). “Business partners have become so embedded in the business and so distanced from central HR that they’ve taken the businesses’ typically much more short-term-orientated demands to heart to the extent of ignoring or overriding the overall business need for strategic change,” the report stated.

A POTENTIAL SOLUTION

Organizations can address this dilemma by supplementing HRBPs with employee relations (ER) specialists. Many companies deploy a smaller number of HRBPs who are expected to focus exclusively on the strategic HR needs of the business. To facilitate this focus, they carve out a team of HR professionals to focus on ER and other field-based HR matters, such as disciplinary counseling, legal issues, compliance investigations, or labor relations. This approach takes transactional concerns off the HRBPs’ plate and allows them to concentrate on their strategic advisory role.

Another benefit with this approach is that it allows both types of HR experts to make the best use of their individual skills. For example, some HR professionals are exceptionally good in the strategic business partner role, while others are better equipped to apply more ER-specific expertise. It’s not uncommon to find that the HR professionals who prefer to work as HRBPs are not as comfortable in the more employee-focused ER role. The split in responsibilities can leverage the skills, expertise, and interests of different types of HR professionals.



“Staffing follows structure,” we wrote in our book, *Mastering the Cube* (<https://alignorg.com/mastering-the-cube>). “It’s better to align individual strengths to strategy as embodied in the new structure.” We continued, “When you patiently fill roles with people who possess the right skills and abilities for the new jobs, you enable the new structure to reach its full potential.” Reassigning the non-strategic duties of the HRBP to an ER specialist allows for focus on distinctly different HR duties and potentially leads to better outcomes for the organization.

CHAPTER 5

Ramping Up HR Operations

Ramping up HR operations teams drives concrete efficiencies that improve customer service and automate existing processes. While COEs and HRBPs focus more on corporate and business unit requirements, respectively, HR operations is typically an employee-facing function. HR operations typically handles administrative and transactional activities for multiple stakeholders across the organization by providing centralized services to employees and supervisors alike. If designed effectively, HR operations can provide a one-stop shop for HR-related services such as payroll, benefits questions, performance review administration, training scheduling, employee questions, supervisor advice, and tracking employee leave issues. HR operations performs these activities through a variety of self-service platforms, including online portals, intranets, and mobile apps. More complex inquiries are handled by help desk and contact center HR advisors.

“Business leaders often move to shared services for expected savings, looking to reduce expenses by taking advantage of economies of scale,” according to *SHRM Magazine* (<https://www.shrm.org/hr-today/news/hr-magazine/pages/0910grossman.aspx>). “That’s what happens, at least in the early stage.” A SHRM survey found that lowering costs ranked among the top benefits arising from shared HR services. “Customers – employees, their families, retirees, line managers and business-unit managers – look to service centers for convenient, easy-to-navigate processes with easy-to-find information; competent, HR staff who know what they’re doing; and caring staff members who share their urgency – not bureaucrats,” the society added.

SHRM noted that companies need to invest in HR technology, training, and documentation to keep pace with rising demand. To meet that need, many corporations regularly explore options for expanding the size and scope of their HR operations units so they can increase efficiency, reduce costs, and boost customer satisfaction.

Leaders who are looking to ramp up their HR operations teams should consider how large the function would become when compared to the COE and HRBP teams – at least in relative size and allocation of resources. If organizations allow all three prongs of the HR organizational model – COEs, HRBPs, and HR operations – to be roughly the same relative size, their functions and activities will inevitably overlap. Each unit will try to perform the same activities and end up competing for resources or performing duplicative functions. The result will be inefficiency, frustration, and confusion – both within HR and across the business.

In reviewing the accompanying graphic, you see that HR leaders have three potential resource allocation models at their disposal for assigning HR work and for balancing resource allocation. Let's look at each of these:



Alternative #1: Smaller HRBP team with relatively larger COE and HR operations teams. In this scenario, HRBPs only serve as strategic consultants to business leaders and managers. All other HR activities will have to be owned and executed by the COEs and/or HR operations teams.



Alternative #2: Smaller COE teams with relatively larger HRBP and HR operations teams. This approach calls for COEs to allocate resources exclusively on a select number of strategic priorities that the business deems worthy of investment. The COE in turn limits their work to the design and build-out of HR programs, policies, and processes without assuming any ongoing operational or executional responsibilities. The work of deploying processes, programs, policies, and systems, as well as executing most HR work, falls to either the HRBPs and/or the HR operations teams.



Alternative #3: Smaller HR Operations teams with relatively larger HRBP and COE teams. Under this configuration, the HR operations functions as a minor support unit within the HR department with a targeted mandate. Most other HR processes and programs are deployed and executed by HRBPs and/or COEs. HR operations’ focus may be limited to fielding questions about or facilitating administrative transactions.

As our clients redesign their HR departments, we advise them to ask, “Where do you want work to happen?” If you want to create a capable and robust set of COEs, you should be prepared to shrink and limit the scope of either your HRBP cadre and/or HR operations teams. If you want a strong HRBP function, you will ideally shrink the size and scope of your COEs or your HR operations teams. Similarly, if you want a robust HR operations engine, then cut back somewhere else. Don’t try to keep your current resource levels and allocations while simultaneously building a large and capable HR operations unit. Unless you find the right balance, the units will end up competing for resources, duplicating efforts, and fighting over decision rights.

We work with countless organizations working to build out their HR operations, and we are supportive of that strategy. However, they tend to keep their HRBP and COEs roughly the same size as before. Then, when they try to skim extra resources from HRBPs and COEs to beef up HR operations, internal conflicts erupt because others in HR try to hang on to their resources.

POSSIBLE SOLUTION

A better approach is for leaders to ask themselves: “What are we compensating for by expanding HR operations?” The answer should point you back to the resource allocation models listed above. For example, an organization may decide to create smaller COEs that only do periodic recurring work and select new projects that are funded exclusively by business unit budgets. In that scenario, the COEs may be so small that, when there are questions about how a program works, the COE does not have the bandwidth to answer those inquiries. Who answers those questions now? It could be the HRBPs or HR operations. However, if the organization wants HRBPs to focus on strategic rather than



transactional work, they should not ask HRBPs to field tactical questions or administer transactional activities. The better configuration may be for HR operations to respond, “This is how it works.”

If an HR function decides to go down the path of having a robust HR operations capability, it must design that unit to do substantial work. If leaders do not want to ramp up operations’ skillsets, they need to let HRBPs and COEs continue to do everything beyond simple transactions. When the COE is large and robust, there is no need for business managers to ask HR operations to help them: the COEs can do it.

These types of strategic decisions should drive how enterprises design, build, and execute their HR processes. Once they decide on the roles for HR operations, HRBPs, and COEs, leaders can choose and implement the right resource allocation model.

CHAPTER 6

Easing HR Delivery Tension Points with Technology

An effective three-pronged HR model requires more extensive coordination across the organization than other HR structures. The conventional HR leader guides service delivery through the work of their teams on behalf of internal clients. However, most HR delivery models have key resources located in different parts of the function. A client may counsel with their HR business partner, “We need this;” the HRBP replies, “We’ll deliver it.” Then the business partner goes back to their HR colleagues and says, “I just committed to this request from my client; can we deliver it?” Delivery on that commitment is dependent on the disparate parts of HR coming together in a timely and coordinated way. Sometimes this happens and sometimes it doesn’t. When coordinated delivery falters, it can become a source of significant tension within the HR function.

Technology can help HR teams better address some of the coordination challenges they face. Applying a robust technology platform enables organizations to make transactional HR work more automated and provides tools to help managers and employees perform activities themselves. This self-service approach allows HR professionals to focus on the areas where their expertise is most needed, rather than responding to clients who ask, “Can you do this for me?” HR builds work activities, knowledge bases, and processes into their workflow and technology platform so that the transactional back-and-forth work is lifted from the hands of HR professionals as much as possible.

Nearly all HR functional leaders would claim they have technologies to facilitate their work and the work of their department, but many would complain that their current technologies are not adequate, integrated, or easy to use. There are four key considerations for HR leaders when they look to improve their function's overall effectiveness through technology and, in turn, address the tension points we've been discussing in this guide.

- ▶ **Improving Data Quality:** For HR technologies to perform optimally, they need to have good, clean data. Even though the data-cleaning step happens in the background, it is vital that disparate pieces of information are scrubbed and linked to become accessible in dynamic ways. HR's business clients might not see the value in this behind-the-scenes work, but it is essential to ensure that the HR technology platform delivers accurate results. Many legacy HR organizations keep their information in spreadsheets, old Access databases, and various types of HRIS systems. While the data might be useful, it isn't easily accessible and it might be missing key features that will be needed in more dynamic and integrated technology systems.



When data is spread across multiple platforms in differing formats, it is difficult (if not impossible) to access and merge the data to create useful information. Records and fields are not consistent; search terms and tags are not as robust as they could be. Fortunately, moving from one system to another usually begins with data cleansing and purging. The investment required to address these potential challenges with legacy systems and databases takes time and money. The benefits may not be apparent to business users on day one, but the effort to scrub and organize legacy data ensures better results as self-serve capabilities and more robust technologies are implemented.

- ▶ **Redesigning Processes Around the User Experience:** Some HR technology platforms simply automate or maintain current HR processes rather than enabling new, improved experiences. Unfortunately, most HR organizations don't go back and ask, "How could we have designed our work and defined our processes differently or better if we had this technology from day one?" Otherwise, they may not be able to achieve process efficiencies nor deliver a better experience to business managers and employees alike. A relatable example might be the iPhone – a device so simple and intuitive a young child can pick it up and use it. If HR technology worked like that, employees and leaders should be able to pose and answer basic questions using self-service technology tools.



The organization should ask whether it could have designed the new technology such that, if an employee has a basic question, the system is so simple they can find the

answer on their own (or be directed to someone who can address the occasional exception). A manager looking to execute a simple process – such as how to close out an employee who is leaving the organization – can do what is needed without having to trouble an HRBP or contact the HR operations team. Designing work processes by thinking about how the technology would have been used as if it had always existed allows HR functions to build self-service systems that only require supplemental support when needed.

► **Scaling HR Without Boosting Headcount:**

Just as technology can make life simpler for employees and managers in other areas of the company, well-designed HR systems and processes can enable HR operations teams, business partners, and COE practitioners to work more efficiently and effectively. Labor-intensive HR teams could become more streamlined if the technology is well-designed. HR teams needing to compensate for outdated processes or technologies that are unable to scale and grow with business may need to staff up.



Too many HR technologies are simply expensive systems of records rather than intuitive tools that enable work to be done in an automated or self-service manner. If they don't meaningfully enable scaling of HR operations work without a corresponding increase in headcount, leaders may wonder whether it was worth a big technology investment. When HR functions only leverage their technology to be a complicated system of record, they might as well go back and put everything in Excel – which is a dependable system of record, although not a powerful platform to enable HR work and client experience.

► **Better Insights Through Analytics:** HR

technology should enable the development of analytical insights and provide visibility in how human capital practices are performing across the organization. The platform should be able to answer questions that business leaders inevitably need to know to lead the organization, forecast talent, and guide



transformation. Most HR teams can cobble data together from current systems through ad hoc reporting. However, the right technology should provide robust standard reporting as well as tailored customer queries that answer any number of questions.

Analytics means more than gathering interesting statistics and solving math problems. Analytics must provide a basis for deriving insights that help HR and business leaders manage better, forecast future outcomes, and better anticipate emerging trends.

Whether the business leader or the HR executive asks the questions, the technology should be an intuitive tool for providing advanced data and enhanced insights.

HR technology is rarely a fix for any HR operating model failure, but it is a great enabler when designed right and used to deliver work in an automated and self-service way. Add analytical insights to that, and HR has a powerful tool to amplify its impact and ensure it can deliver on the needs of the business.



CONCLUSION



A Call to Action for CEOs, HR Leaders and Organization Designers

The trends impacting HR functions are profound and effect how organizations, individuals, and society work and experience professional life. Factors such as remote working, social justice movements, mobile and digital technologies, emphasizing employee well-being, and continuous organizational transformation efforts are constantly upending the concepts of work, the practices of employee engagement, and the strategic priorities of companies.

Around the world, HR functions are critical enablers (or disablers) as organizations react to these and other trends while devising human capital strategies to prepare for the future. However, like every function, HR faces challenges. As we shared in an earlier article, “Support functions like human resources are essential to the smooth execution of an organization’s strategy and business model, but too often they fail to deliver,” (<https://alignorg.com/how-hr-can-enable-business-model-differentiation-five-keys>). “This is not because HR professionals and leaders are ill-intentioned. Support functions have tremendous power to enable strategy, but unfortunately, they can disable it too. Their impact depends on how the function is set-up, how it is led, and the mindset that HR professionals carry in their day-to-day work and decision-making.”

As the decade progresses, HR leaders and professionals must guide their function to be nimble and creative as they address critical challenges such as:



Attracting and retaining top talent



Navigating the Great Resignation, the Great Retirement, “quiet quitting” and other trends



Proactively engaging employees



Integrating DEI programs in the workplace



Enhancing workforce skills



Applying advanced technologies



Incorporating remote and hybrid ways of working



Creating and maintaining a vibrant corporate culture



Balancing work and family demands



Strategic workforce planning



Guiding organizational change



Maximizing the efficiency of human capital



Transforming organizations

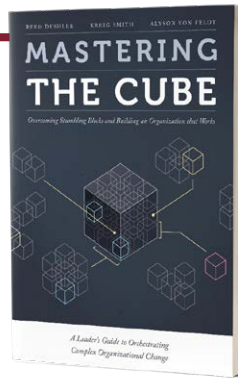
HR can more effectively address the challenges that will arise in the years ahead by better aligning their organizational structures with company strategies. HR functions can bring significant value by helping enable the delivery of the organization's strategic priorities. Most organizations rely on the three-pronged model of HR functional delivery (comprised of COEs, HRBPs, and HR operations). While this tried-and-true organizational delivery model provides a useful roadmap, it can also introduce significant tension points that, if unaddressed by HR leaders, can limit the HR function's ability to support the enterprise's strategic goals. The HR delivery model pioneered by David Ulrich more than 25 years ago relies on a coordinated effort among HR leaders and HR staff to tailor it to real-world imperatives.

Addressing the tensions that can arise within this HR delivery model demands some well-reasoned adjustments. While the Ulrich model provides a basic outline for balancing the primary HR functions, too many organizations are reluctant to stray too far from the basic three-pronged approach. Rather, they should view the model as a flexible blueprint that allows room for modifications that address both the unique strategic needs of each organization as well as the potential linkage challenges inherent in the model. As discussed in the previous chapters of this guide, some potential solutions to address the model's tension points are listed below.



POSSIBLE SOLUTIONS

1. Reallocating the functional management duties of the CHRO to an HR chief operating officer who manages the department's daily functions.
2. Streamlining overbuilt COEs, which releases resources and allows the function to deliver value appreciated by HR's clients.
3. Incorporating cost discipline to better align COE work with corporate strategy and the needs of business leaders.
4. Keeping HRBPs focused on strategic consulting activities rather than being diverted by transactional concerns and administrative HR questions.
5. Beefing up undeveloped HR operations teams by providing the resources and technology required to make them more effective and scalable.
6. Finding the right resource allocation model to optimize the balance among COEs, HRBPs and HR operations.
7. Applying technology to provide analytical insights and improve the user experience.



In our book, *Mastering the Cube* (<https://alignorg.com/mastering-the-cube>), we recommend organizations adopt a mindset of design fluidity, which implies “continuously remaking the organization to track new marketplace conditions and the resulting strategic adjustments. Designing fluidly means moving smoothly and constantly to tweak the organization alignment.”

This mindset applies as much to human resources functions as it does to every other part of an organization. As HR functions look to evolve to become more effective and better strategic partners, one source of improvement must be the HR operating model and how it can be effectively designed to address key industry trends.