

Deliver to your customers to ensure HR's success



How to get taken seriously and
earn your place at the top table

Introduction

Too many HR leaders get caught up considering the latest vendor gadget, gimmick or showy 'differentiator' rather than first ensuring their function has the right structure, service offering and processes in place.

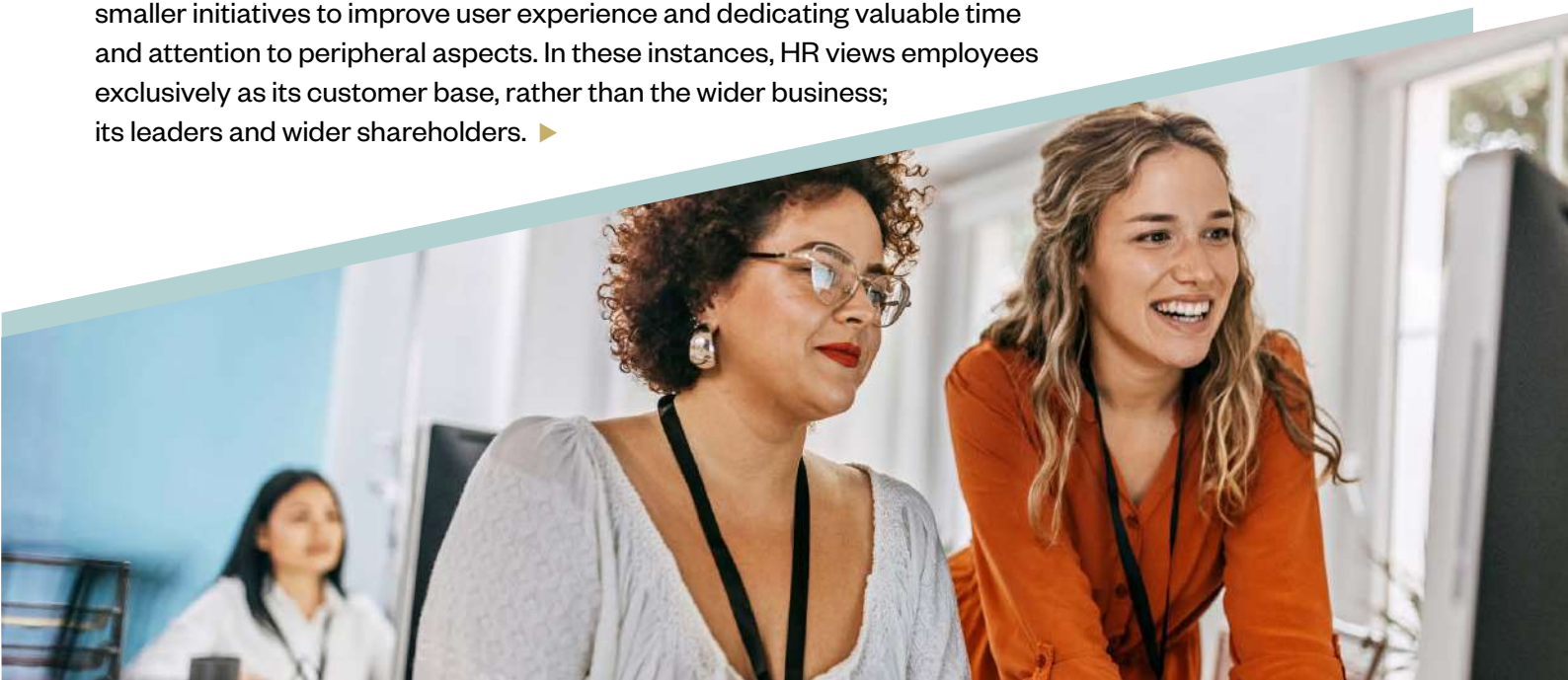
AI, machine learning tools, chatbots, wellbeing apps and more are all important, but at the heart of HR there needs to be the right operating model from which everything else stems. Unless a suitable structure is in place, HR departments are unlikely to be offering the support and service the business requires for it to be successful. Without that, it cannot hope to secure the respect and demand for its expertise from the C-suite that would earn it that boardroom position.

HR leaders shoulder a huge responsibility to ensure their organisations stay legal and play a pivotal role in helping to have the right people, in the right place, at the right time, doing the right things, in the right way.

Strong, correctly aligned and successful HR departments are a vehicle for enabling their organisations to access and deliver to their customers and markets. They help to reduce risk and therefore cost, and increase growth and therefore profit. All this requires HR professionals to take an outside-in approach - to understand what the business needs from them and to support that.

All too often, however, the function can get caught up in narrowly focusing on smaller initiatives to improve user experience and dedicating valuable time and attention to peripheral aspects. In these instances, HR views employees exclusively as its customer base, rather than the wider business; its leaders and wider shareholders. ►

“Strong, correctly aligned and successful HR departments are a vehicle for enabling their organisations to access and deliver to their customers and markets.”



◀ This skewed focus and lack of strategic prioritisation can jeopardise the efficiency and effectiveness of their entire operation. Failure to establish a strong, organisationally aligned HR Target Operating Model (TOM) leads to an inability to deliver the HR service and advice needed by business leaders, who rely on their people-focused expertise in order to make an increasingly successful business. This misalignment can mean that HR professionals miss the chance to win respect and elevate their position within their organisations.

Professor David Ulrich, who is considered the 'father of modern HR', explored a founding framework for HR in his 1996 work, *Human Resources Champions*. He covered the importance of having key roles in place and the value of having the right perspective. In it he says: "HR practices within a firm should consequently be applied to suppliers and customers outside the firm." He went on to say: "... shifting the focus from firm to value chain, all HR activities are rigorously redefined according to customer criteria."

In fact one of his challenges to HR all of those years ago was to: "Watch out for quick fixes... HR needs to avoid the lure of the quick fix. Two traps encourage this temptation: benchmarking and frou-frou."

More than 25 years later, has HR failed to heed this warning and fallen into 'frou-frou' traps being sold to them as something that 'everyone else is doing' to the detriment of a successful function for their organisation?

In this whitepaper, in partnership with *People Management*, we will explore how to go back to the basics of good HR function design and why it holds the key to HR leaders being welcomed into occupying a top-level position.

"Watch out for quick fixes... HR needs to avoid the lure of the quick fix. Two traps encourage this temptation: benchmarking and frou-frou."

Professor David Ulrich,
Principal, RBL Group





Getting the basics right

Jonathan Krogdahl is Managing Director of the HR transformation and change consultancy Ewan Partners. His team has carried out a diverse range of projects for national and global clients covering everything from HR TOM advisory to global HR technology and process implementations and HR transformation project delivery. He says what business customers want is for HR to deliver for them. “They want advice and insight on everything from how to design their HR function through to the services, processes and technologies they deploy. They then want our help to design the programme of change, support to deliver it and to realise the return on the project investment.”

The identification of a matter can start with the business highlighting an issue about, for example, people leaving. In this case, they would expect their HR business partner to liaise with the relevant HR Centre of Expertise (CoE) and offer answers to questions such as: Are we paying enough? What is our employee management information (MI) and analytics telling us? Are more staff required? Is it a performance management challenge? Is the structure of our business correct or should we alter it?

“It’s not just about launching the latest wellbeing app, that’s just a band-aid for the problem, you need to understand the root causes and fix them,” says Krogdahl. “This can only be achieved when HR has its foundations in place – the walls and the rooms should be built correctly in the HR house – before getting distracted by the colour of flowers in the window boxes.” ►

“Too many HR professionals have moved away from being commercially oriented business people who are focused on helping their organisations to grow (profit) and avoid employee-connected risk (cost).”

Jonathan Krogdahl, Managing Director, Ewan Partners

◀ He fears that over the past few years, in a drive to show they are evolving, the HR profession has experienced waves of enthusiasm for new things – whether chatbots or apps – and the market has become saturated with solutions focused on ‘quick fixes’ for a very specific aspect of the HR service offering. “Everyone is trying to sell HR something but you don’t need what they’re selling unless it fixes a problem the business is asking to be fixed. What the business needs comes via your HR Business Partners – your department’s liaison with, and strategic advisors to, your internal customers.” He goes on to say that his clients often “want HR functions to spend around four-fifths of their time on getting the ‘nuts and bolts’ right”.

If HR is firing on all cylinders it is in a good position to help its business customers to have the correct people with the right skillsets in place to deliver on the overall aims of the organisation. Achieving that requires HR leaders to be clear about the business’s customers; its strategy and its operational structure and to have designed its own HR Targeting Operating Model (TOM) to serve it. This includes: HR Organisation Design (OD); the Service Delivery Model (SDM) and Processes, as well as the technologies, governance and reporting and management information to underpin them.

Krogdahl also warns against HR viewing the employee as exclusively their customer, rather than prioritising the business itself. “There’s nothing wrong with that lens, but only if it’s connected to the aims of the organisation. You can have happy employees and a failing organisation, so the employee lens needs to be from the point of view of helping the organisation to deliver to its external customers to ensure that there is no mismatch. Too many HR professionals have moved away from being commercially oriented business people who are focused on helping their organisations to grow (profit) and avoid employee-connected risk (cost).”

Getting started

“HR needs to see itself as a business within a business,” says Krogdahl, “with its customers the leaders of revenue-generation units and other internal functions that make up the organisation.

“Consider this,” he says, “if they paid for the services you provided: how would you design your business? What services would you offer and what processes would you use to deliver them to your customers?”

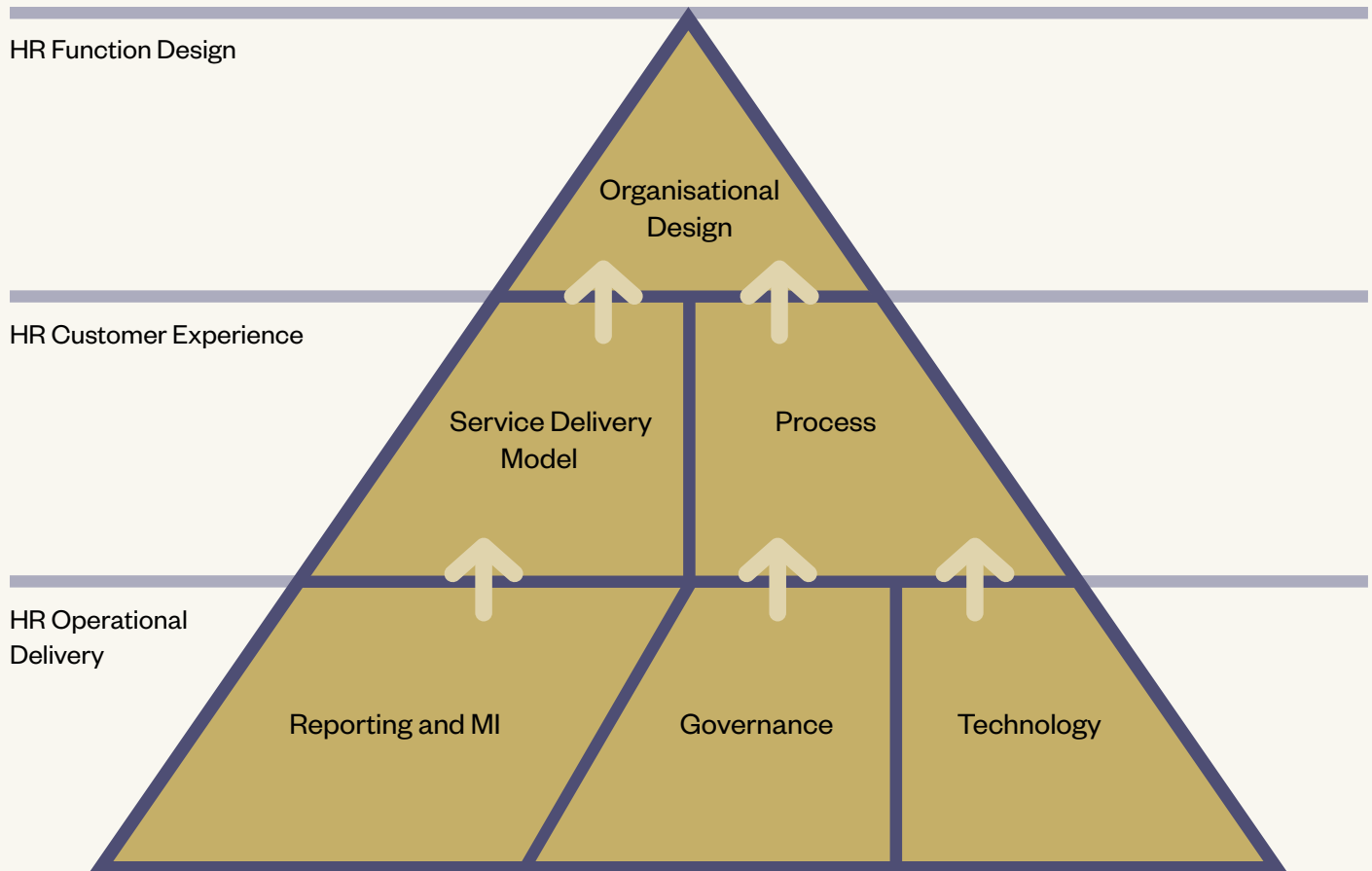
He says HR teams should consider the following:

1. Functional Design:
What is the design of your HR business?
2. Customer Experience:
What HR services do you offer, how do you deliver them and what processes does your customer experience?
3. Customer Delivery:
What technologies do you have in place to make your processes work more effectively? How do you govern your processes and services?
How do you report and provide MI to your customers?

“For the HR director to be the CEO’s business partner, business drivers and the need of the overall organisation, must always be the primary focus.” ►



HR Target Operating Model Construct



◀ The ideal target operating model for every HR department should link directly to the overarching aims of your business. Once those aims and values are established you can create the processes and delivery model that ensures your customers – both the internal stakeholders and the external customers your organisation ultimately serves – receive the correct type and quality of service they require.

These processes and means of delivery will need to be supported by strong governance, excellent reporting and management information and suitable technology. [See *HR Target Operating Model Construct graphic above*].

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Turning Ulrich's four roles into HR jobs

“The challenge is often the transition from small and generalist to being large enough to have a functioning model with clear delineation between each job type.”

Jonathan Krogdahl, Managing Director, Ewan Partners

Ulrich's seminal work prescribes for four roles in HR – Strategic Partner, Administrative Expert, Change Agent and Employee Champion.

The challenge for HR is that in smaller organisations these 'competencies' are often melded into a smaller number of generalists, where in medium and larger organisations there is the opportunity for HR to separate these roles into discrete specialist jobs. This is the first question to answer when considering the target HR OD.

Krogdahl suggests that where the size of organisation supports HR job specialisation, the establishment of separation between HR BPs (Strategic Partner & Change Agent); Centres of Expertise (Change Agent & Employee Champion); and Operations (Administrative Expert), allows for high levels of customer focus. [See graphic on next page].

“The challenge is often the transition from small and generalist to being large enough to have a functioning model with clear delineation between each of these three job types,” he says.

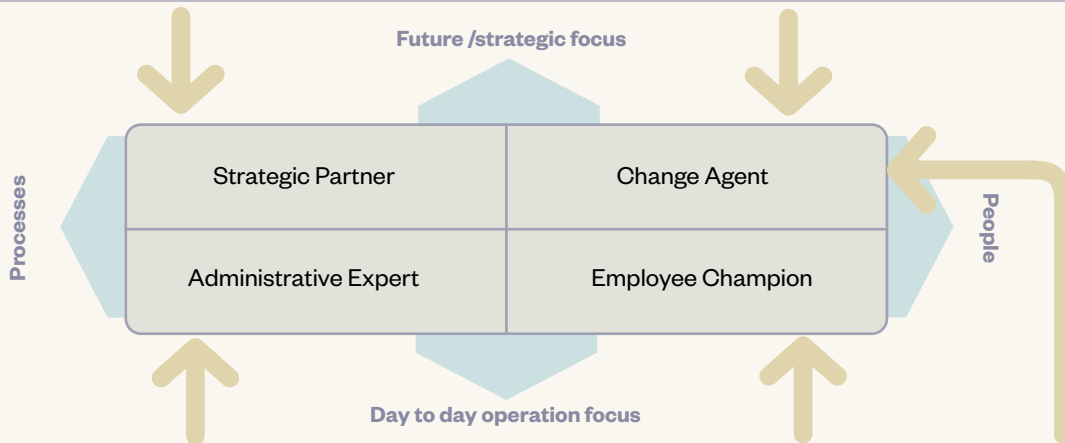
Of these three key jobs, the largest of the trio by far will be those working in operations. Around 60-70% of the overall HR team should sit within that part of the HR OD. A further 20-30% will be situated in positions of specialist knowledge (recruitment, talent, performance, reward, learning, and so on) within the Centres of Expertise; while just 10% will perform Business Partnering jobs. This final group needs to have a deep understanding of the business area it supports and build strong and trusted advisory relationships with their key leadership stakeholders. They should be listening to what the internal client says the business is challenged by now, what it is going to be doing in the next few years and considering what they can advise from a people perspective. ►

HR Organisation Design – roles and responsibilities

HR Business Partners

10%

- Acquire a deep understanding of the business area supported and provide strategic business partnering to designated stakeholders.
- Provide challenge and act as a strategic sounding board to the business on HR related decisions.
- Build strong and trusted relationships with stakeholders, participating as a member of the business area's management team.
- Work with business areas' management teams to set their people strategy, bearing in mind HR function cost drivers.
- Utilise HR MI & analytics and operational KPIs to drive business area performance.
- Guide the business in executing processes where the business is accountable for the outcome (eg performance discussions, recruitment decisions, etc).



HR Operations Excellence Hubs (Ops)

60%-70%

- Deliver HR services that keep the business operations running efficiently.
- Deliver structured and repeatable HR services at scale.
- Provide support and advice to employees and the CoE to support in the delivery of day-to-day HR activities.
- Execute operational processes where the HR function is accountable for the business outcome.
- Implement HR function policy and support compliance.
- Drive operational excellence in ways of working.
- Continuously improve operations to reduce costs of delivery and improve productivity.
- Provide input to HR function strategy.

HR Centres of Expertise (CoE)

20%-30%

- Set HR function strategy and priorities.
- Define and maintain policy, and deliver policy implementation plan for Ops to execute.
- In setting strategy and policy, consider end-to-end costs and impact on employee experience.
- Provide advice and specialist HR expertise to the firm's leadership via the HRBPs (including thought leadership).
- Initiate and provide direction on strategic HR projects at functional, cross-functional and firm-wide levels.
- Constantly look for best practice improvements and strategic efficiency gains.
- Provides support to regular HR processes, which require design thinking. ▶

“Those with more technology, self-service and vendor-led service provision in place might require only c1-2% of FTEs.”

◀ “The HR Business Partner, Centres of Expertise and Operations model is a very good HR OD starting point and should be considered the go-to model in most cases,” says Krogdahl. “Each team will need to fine-tune it to reflect the needs of their individual business – and the model should evolve over time to meet any changing needs of the organisation and its customers but it is absolutely fit-for-purpose for the majority of medium to large-sized organisations.”

In small organisations HR staff will more typically have to act as generalists who carry out a mixture of the roles, but once the organisation has c.2,500-plus employees, there is enough demand to allow for increasing levels of HR job specialisation, he says.

A general rule of thumb is that of the entire company, the number of full-time equivalent staff in HR should be 1-3%. While those with more technology, self-service and vendor-led service provision in place might require only c.1-2% of FTEs, those with less may need more HR staff to carry out more of the HR tasks. “It will also vary based on size and complexity of a company, geographical spread, propensity to use different HR service delivery vendors and so on. Sometimes HR departments bloat to 4-5% of the organisation's total FTE because they've focused their efforts in the wrong areas of HR and allowed a lot of manual work or country-specific approaches to creep into their service model,” adds Krogdahl.

HR theory and realities combined

Nathan Clements is Chief People Officer at global food travel business SSP Group, which operates across six continents. He has run People functions across a number of different sectors including consumer, retail, media, hospitality and pharmaceuticals. Asked what good looks like, he says: "I've always come back to 'Back Office (HR operations), Mid-Office (Centres of Expertise) and Front of House (Business Partners). These must be in balance, clear distinctions, shared accountabilities, one plan – aligned to the business. Designed to listen to the business, not just blindly push the HR agenda out."

He says SSP Group has a clear operating model, working in deep and long term partnership with its brand partners, own brands and travel clients in support of giving customers a great experience. This makes his role clear - to deliver shareholder value. He says the HR department does this by, amongst other things, supporting regional business goals through the delivery of strong people operations at a local level; leading the growth journey as passengers and customers return; building capability, talent and succession across the business, rewarding and recognising performance; and is delivering two significant technology-enabled global people programmes.

Clements says there are some universal founding principles of good HR operations that flex in both size and location given the nature and scale of the business and the extent to which it is a centralised or dispersed operation (either structurally, geographically or both).

"If the HR operating model is out of balance, it'll show up over time, if not quickly," he warns. "For example, if the team is 'heavy' in resource in the Centres of Expertise, but light in Business Partnering, there will be much wasted effort. A Centre of Expertise's ability to create and ideate is not the same as the Business Operations' ability to consume and execute. Execution capacity should lead creative plans, if we functionally are actually aiming to make a difference to the colleagues that service our business and our customers." ►

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Nathan Clements, Chief People Officer, SSP Group





◀ The benefit of the combined effort of all those areas working well means a team of, for instance 10, would be acting with the strength of more like 12. “Harmony is achieved, there is sufficient human capacity, both in terms of plan creation and plan delivery. Communications and involvement glue the operating model together and the whole team lifts, and the performance rises.”

Elaine Grell, who has held HR roles at organisations including Intercontinental Hotels Group and British Airways, says for those organisations large enough to divide up the duties it will be important for each to have an appreciation of what the others do. This ensures successful joint working, and for that, she says: “You need to model clear ways of working, prioritisation and rules of engagement.”

Linda Kennedy, Chief Human Resources Officer at sustainable packaging manufacturer Klöckner Pentaplast, and CIPD Fellow, agrees communication is critical. She supports Krogdahl's suggestion that putting in all or components of the Ulrich model has to fit with the organisation overall. For example, there is little benefit in putting in a shared service centre if the organisation does not have the critical mass to gain benefit from it, she says. And any Centre of Excellence roles should support organisational priorities, she says for example, it's probably not appropriate to have an Employee Relations role if the company isn't unionised. ▶

◀ “It is really important coming into any new Chief Human Resources Officer role that you understand the business, find out what is important for them from a people perspective, and understand what is currently working in terms driving the people agenda in alignment with the business.”

It's also essential to understand what is currently working well from an HR support point of view and what is not,” she adds. “You can then design the HR Operating Model to support the delivery of both operational and financial objectives. This initial diagnostic and analysis is key, as each company / industry is different and will have a different level of maturity and set of priorities.”

She says failing to design the HR operating model around the priorities of the business risks the function being out of alignment with its needs and means it will not be seen as commercial or value adding.

“For HR to be a true business partner, the work being undertaken by the function should be a part of delivering the overall business / divisional strategy and not an ‘HR add on’ or ‘nice to have’. By putting the right model in place, you should be able to drive both the operational and strategic agendas, ensuring cost effective and timely service delivery, whilst at the same time delivering more strategic support and value adding projects.”

Focusing on the purpose and values of an organisation can leverage companies' scale to benefit society and result in extraordinary value creation, according to Dr Washika Haak-Saheem, Associate Professor in HRM, in the International Business and Strategy Group at Henley Business School. “To usher in the business model of the future, the HR operating model should focus on nothing less than reimagining the basic tenets of the organisation,” she posits. ▶

“I always encourage my team to ask the ‘so what?’ questions. What will the activity deliver? What is the business benefit? Can it be measured and quantified? If not, stop doing it and if so, track the progress and celebrate achievement of targets.”

Linda Kennedy, Chief Human Resources Officer, Klöckner Pentaplast, CIPD Fellow

◀ She says HR operating models should be based on future business needs and built based on creativity, flexibility, and resilience. Powerful models will be driven by insights, solution, data, and analytics and work across the organisation and reflect new realities such as the technology-human partnership, she adds. "HR operating models should be more responsive and flexible, built around the following interrelated trends: technology driven; lower transaction costs; more connection; agile; and demographic shifts.

"There is little doubt that businesses will fall behind if they miss the chance to redefine the role and function of their HR operating models. Clearly, the pandemic has been one of these moments in time that can be described metaphorically as a fork in the road."

Kennedy agrees a good HR model will be properly resourced with the right skills and experience to support the business at the appropriate point on its journey and will need to adapt and flex to the changing business needs.

"There is little doubt that businesses will fall behind if they miss the chance to redefine the role and function of their HR operating models"

**Dr Washika Haak-Saheem,
Associate Professor, HRM,
International Business and
Strategy Group, Henley
Business School**





Making knowledge productive

Professor Ulrich, Principal at RBL Group, says now, more than ever, human capability issues – such as talent, leadership and organisation – are impacting employee, strategy, customer, investor and community results. It is HR departments that support these human capability contributions, he adds.

Ulrich says: “Our research has found the most important elements of an HR department are [1] the working relationships among members of the HR team and internal clients and [2] the reputation of the HR department as one that creates value – more than one that performs administrative services. The HR structure and operating model enable these outcomes by ensuring that the HR department turns specialist insights into stakeholder results.”

He adds that the ability of the HR department to make knowledge productive has far more impact on stakeholder results than the individual competencies of the HR professional.

“When an HR department has clarity about its reputation, customers, purpose, governance, and relationships, it is able to have a large impact on stakeholder outcomes and business results,” he says.

Having a good structure in place is vital to success, says Dr Aaron Taylor, Principal Lecturer Team Leader Strategy & Operations at the University of Sunderland's School of Business and Management. It is important to evaluate its effectiveness periodically to ascertain if improvements are required, he adds.

“Good’, from my point of view, involves clarity of communication and a boundaryless structure where interaction is welcomed at all levels. Organisations that don't adopt a cohesive organisational structure tend to be chaotic and have issues with communication, commitment and ultimately, attrition. Job satisfaction, employee trust and retention are all benefits of organisations that have such a provision in place.”

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Dr Aaron Taylor, Principal Lecturer Team Leader Strategy & Operations, University of Sunderland



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Ewan Partners supports you and your Human Resources team with cost effective delivery of projects that aim to provide your employees, line managers and business leaders with better Human Resources services.

Get in touch to see how we can help you to deliver those key projects and initiatives in 2022.

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