

## Handout

# HR Dynamic Operating Model

A framework for defining how HR operates with the  
business and with itself



*CourageousHR works with HR leaders and Communities to identify their distinctive contribution and then make it, both culturally and operationally, an organisational reality.*

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# HR Dynamic Operating Model

## *Understanding and managing the built-in tension within the HR Business*

### *Alignment organisation*

Human Resources can add significant business value. The HR Business Alignment (also known as the HR Business Partner) structure or organisation, when implemented well, is a systematic means of delivering business 'value'.

At CourageousHR, we recognise that there is little definition about what the HR Business Alignment organisation model actually is, what it means for the organisation and what it means for HR, HR roles and HR responsibilities. We believe that this lack of clarity results in a lot of Human Resources functions over-promising and under-delivering to the business.

In order to successfully implement a Human Resources Business Alignment (what CourageousHR calls an "HR Partner") organisation, CourageousHR believe it is critical to start with the basics. This involves understanding the potential 'value' that HR can deliver and the key HR building blocks which include capabilities (competencies) and role family.

This summary document outlines a model for understanding and managing the built in tension that exists within the HR Business Alignment organisation.

## **Introduction**

Over the last fifteen years HR has been asked to 'add value' to their organisation whilst retaining its traditional focus of delivering efficiency. Where has this request come from – is it specific to HR, has it only arisen recently or is it symptomatic of deeper changes in organisations?

CourageousHR believe that this movement towards HR being required to 'add value' simply reflects an organisational tension that has been recognised by Organisational Design theorists for decades.

Academics recognise that all organisations, profit and non-profit, face a number of inherent contradictions e.g. to centralise or decentralise; to create new products or grow existing ones. These contradictions are known as 'dualities' – states for which there is no right answer and organisations must therefore find a 'balance' to best meet its goals in the environment that it exists in.

A well established fundamental (or meta) duality is the tension in organisations between the need to save costs (or deliver the best value for money) and increase revenues (or find new users). Organisations recognise that they need to grow to survive as they will be either overtaken by competitors offering cheaper or better products and services (profit focused organisations) or be superseded by alternatives offering better value for money or be successful and have no clients (not for profit organisations).

In order to grow, organisations must focus on both increasing efficiency i.e. produce offerings cheaper; and increasing revenues through either differentiation (i.e. be more exclusive or specific to customer needs and therefore charge higher prices) or new offerings. Organisations need to

balance these demands as those who only focus on only one are at risk of either not creating new offerings that customers want to buy (increasing revenues) or being left with products that have been superseded in the market (increasing efficiencies).

The meta-duality of increasing revenues (or customising offerings) and saving costs (standardising offerings) recognises that organisations need to risk spending money in order to create new revenues. There is no right level of investment as organisations will position themselves along this continuum based on a range of factors including their strategy, heritage, competitors and market environment. CourageousHR call this tension the ***standardisation : customisation dynamic***.

## Impact on Human Resources

The Business Aligned HR organisation structure, also known as the HR Business Partner structure, emerged in the early 1990's and was popularised by Ulrich in 1997. CourageousHR believe that this organisation structure emerged as a direct result of standardisation : customisation dynamic.

Although inherent in all organisations, the reasons for its emergence in HR at this time are unclear. However, there are suggestions that it was a combination of the natural development of HR as a profession and the emerging globalisation of the world economy that required organisations to concentrate on people as a source of competitive advantage.

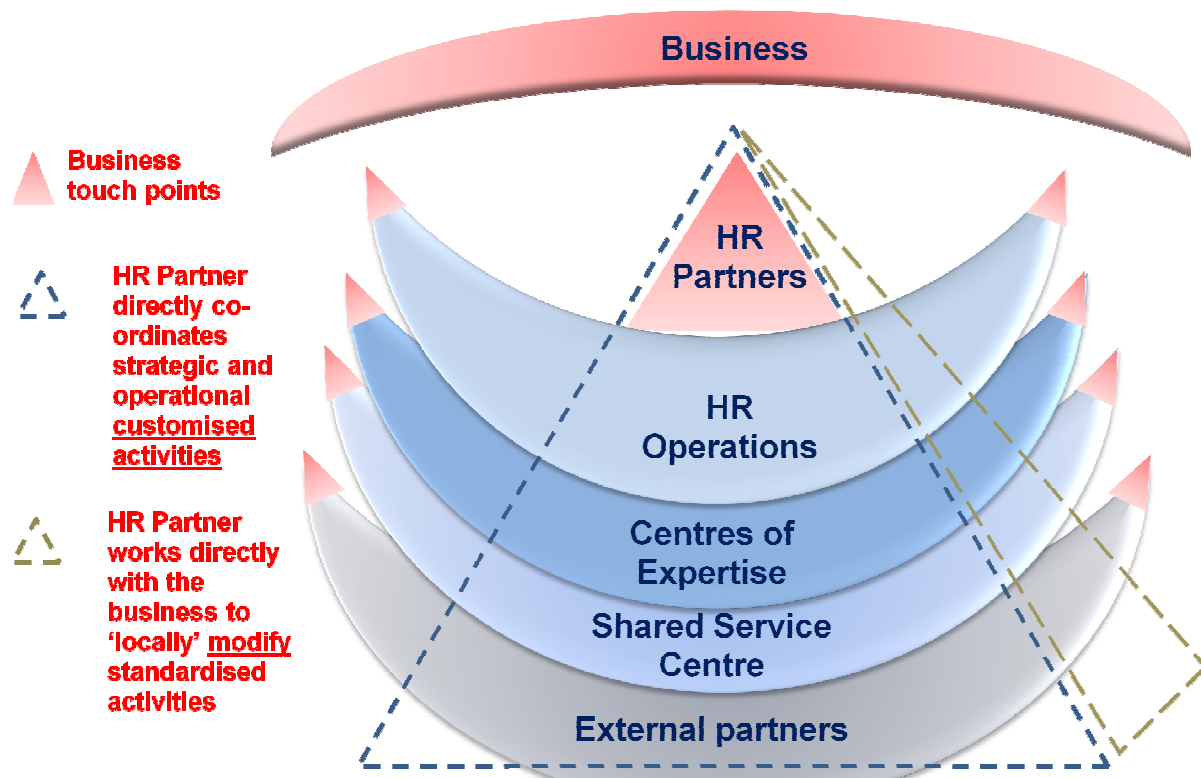
Writers have tried to model the emergence of the HR Business Aligned structure in diagrammatic form but typically concentrated on formal reporting relationships and 'deliverables'. The existence of these 'three legged' and 'four legged' models are at best simplistic views of complex relationships and not the reality of multi-reporting lines in organisations (especially multi-nationals) with HR functions that are business aligned. More importantly, these models give rise to a belief that there is one best model or structure for HR and that HR Business Partners are the most important aspect of that structure.

## CourageousHR's *HR Dynamic Operating Model*

By focusing on the underlying reasons for the emergence of the Business Aligned structure, CourageousHR have created a new way of looking at the relationship of HR with the organisation.

The HR Dynamic Operating Model captures three key elements of the HR Business Alignment structure, as outlined on the following page:

- HR responsibilities
- HR roles
- HR deliverables



## HR Responsibilities

The Model shows that HR has a dual responsibility;

- To continue to support the organisation in reducing costs and being as efficient as possible. This can be delivered in direct savings e.g. through standardising processes (which allows for reducing resources and reducing time spent on those processes) and managing risks e.g. understanding the short and long term implications of organisational activities and helping managers to make balanced decisions
- To support individual businesses increase their revenues. This can be through a variety of different approaches such as greater productivity e.g. increasing employee engagement; new products and services ('offerings') e.g. increased innovation; increased customer spend e.g. improved customer service; entering new markets e.g. appropriate talent.

The Model demonstrates that these dual responsibilities have however an inherent tension i.e. for a business to invest it is required to spend money and invest with a degree of uncertainty about the outcome.

## HR Roles

The HR Dynamic Operating Model also helps define the role of each part of the HR Community (function), including third parties.

### *HR Partners*

**HR Partners** are responsible for ensuring that the needs of their business are represented to the HR Community. While they have a continuing responsibility to ensure that the organisation need for efficiency (standardisation) is met, they are ideally placed to translate their business revenue need (customisation) into 'people' deliverables. Importantly, the Model also demonstrates that if an activity e.g. salary review, is standard across the organisation, there is no requirement for the HR Partner to be responsible for its delivery (they add 'no extra value' as it is the same activity for all businesses).

Where there is a potential to increase revenues, HR Partners have a role in helping their business build an investment case and representing that investment to HR. However, they also have a responsibility to ensure that their business does not unnecessarily spend money where the returns cannot be justified or the resources are unavailable.

### *HR Operations, Centres of Expertise and Shared Service Centres*

**HR Operations, Centres of Expertise and Shared Service Centres** are responsible for ensuring the needs of the organisation are represented to each business. While there is a clear responsibility to support agreed business customised activities, they are ideally placed to use their technical expertise to minimise costs and risks to the business. Importantly, the Model shows that Op.s, COEs and SSCs should have responsibility for delivering standardised HR activities directly to the business.

Where there is a potential to increase revenues, Op.s, COEs and SSCs have a role in examining whether a business investment is justified based on available resources and whether it should be standardised across the organisation. However, if an investment is agreed, they have a responsibility to support the HR Partner and deliver their part of the HR activities.

### *Third Parties*

**Third parties** e.g. recruiters, outsource providers; are responsible for delivering their agreed part of the HR activities. By defining their deliverables against the customised : standardised continuum, there is clarity as to within the organisation is accountable.

## HR Deliverables

The third element of the Standardised : Customised Dynamic model is the type of HR deliverable. Three channels are identified; customised, modified and standardised.

Where a deliverable is customised, it is specific to a business e.g. a sales incentive programme to a sales team. Customised deliverables are typically the responsibility of the HR Partner, although they may not actually undertake the activity i.e. 'deliver' them.

Where a deliverable is standardised, it is specific to the organisation e.g. the recruitment process. Standardised deliverables are typically the responsibility of HR Operations, COE or SSC.

Modified deliverables have elements of both customised and standardised deliverables e.g. a standardised performance process with specific objectives for a sales team. There is no clear accountability for ownership or delivery within the HR function.

The benefits of defining HR deliverables in this way is that it allows HR Communities to make conscious decisions and establish protocols for who is both accountable for making sure the deliverable happens and who actually undertakes the activity.

## Characteristics of a good HR Community

A good HR Community is able to recognise and manage the inherent tensions between standardisation and customisation. They know that the business world is in a constant state of change, that there is no 'one size fits all' HR Partnership operating model and that HR needs to continuously be able to respond and adapt its model and how it works.

Good HR Communities also recognise that the existence of tension is a sign of health. Where there is no tension, the HR Community is either not delivering one of its core responsibilities (typically the revenue or value adding one), where there is not a rationale understanding and debate about the roles within HR and who is accountable for its various deliverables, or where teams are seeking to hide conflict.

The sign of a 'powerful partnership' between HR and the organisation is when all parties are able to articulate the standardisation : customised tension and proactively use it to achieve the organisation's strategic goals.

## Benefits to HR

By expressing the responsibilities, roles and deliverables in terms of the standardisation : customisation dynamic; the HR Community will experience a number of benefits;

- Recognises that tension is normal, not the product of individuals being unable to 'get on' with other
- The Model creates a language that both HR and businesses can understand
- Allows HR to communicate its deliverables in terms of organisation and business needs

- Allows HR to rationally communicate the 'value added' that it can offer and who is best placed to deliver HR Fundamentals (line, centralised, outsourced)
- Takes the 'personal' out of HR Fundamentals as it expresses the need to standardise procedures as an organisation and not HR need
- Helps clarify HR roles
- Where there is overlap i.e. a modified deliverable is involved, clear protocols and procedures can be established to agree accountability and delivery
- Supports the concept of the HR Community – all parts of HR are reliant on each other to deliver HR offerings
- Demonstrates that there is no best model – the focus should be on HR deliverables and the quality of HR individuals and their role
- Is able to flex as appropriate e.g. in times of recession, the customisation pyramid will become narrower.
- Reinforces the concept that every business is different and therefore the role of every different HR Partner will be different - if it was the same then it would be standardised!

## Summary

The CourageousHR HR Dynamic Operating Model is a radical new view on the responsibilities, roles and deliverables of HR. Based on an established academic perspective of inherent tensions within organisations, the Model is a practical tool that gives HR a language and perspective that allows the Community to proactively work with the wider organisation to achieve its strategic goals.

### About CourageousHR

*At CourageousHR we work with HR Professionals like you to help you create innovative people solutions and courageously apply them. We help you to bridge the gap between academic vision and consulting rhetoric to guide and inspire you and your HR Community to move from being 'followers' to leaders.*

*Our passion and thinking comes from our experiences, research and a belief that 'tomorrow doesn't have to be the same as today'. Our reach is global and we happily work with clients throughout the world and across a wide range of industries*