Human Resource Models

Human Resource Models

What is a Human Resources (HR) Model and what role does it play in the development of a successful

business? A HR Model is an organization's strategic framework that helps manage and organize all business functions concerning human capital. It allows a company to manage its labor force as effectively and efficiently as possible. The key role of a HR Model is to facilitate day-to-day operations and plan for future opportunities related to the human capital of the business. These theoretical models are meant to better manage employees and determine accountability.

Image provided by www.ceridian.co.uk

According to David Ulrich, a leading expert in Human Resource theory and application, most managers are not fully utilizing their employees. David Ulrich states, "The greatest concern here is that, in the New Economy, human capital is the foundation of value creation. (Various studies show that up to 85 percent of a corporation's value is based on intangible assets.) This presents an interesting dilemma: The asset that is most important is the least understood, least prone to measurement, and hence, lease susceptible to management" (4) is human capital. There are, however, a variety of ways to organize and operate the human resource function in organization. Moreover, HR organizations are often in flux. Research shows one in three businesses will restructure their HR structure in 2013-2014 to better meet the employee's needs (Towers Watson, 2).

With the changing nature of HR in today's world we wanted to know what type of HR models were being used and how HR professionals felt about each model: their pros and cons. Then we created an 18-question survey and sent it to 566 HR employees in 6 different industries. The team identified these individuals using LinkedIn, Lead411, and the University's Alumni Office. 122 participants fully completed the survey and 68 individuals partially completed the survey responses. All surveys that were included in this study were over 60% complete. According to the survey data, the following are the most popular HR models that businesses are adopting into their business strategy:

- ❖ Business Partner Model
- ❖ Solution Center Model
- ❖ Shared Services Model

The remainder of the article will cover the following about each HR model:

- Each model's basic logic and framework
- Each model's advantages & disadvantages from the standpoint of those HR professionals we surveyed
- Summary data comparing the 3 models

For the purpose of this report, we averaged the data we collected on each survey question so we could more easily compare the results across all three models. The average "HR ratio" we calculated is defined as the number of HR employees over the number of non-HR employees. This ratio can be useful but needs to be used with caution because the HR ratio is heavily influenced by company size. To find current technology trends within HR, we also asked survey respondents to indicate their company's planned change in spending for HR technology in the coming calendar year.

Business Partner Model -Description
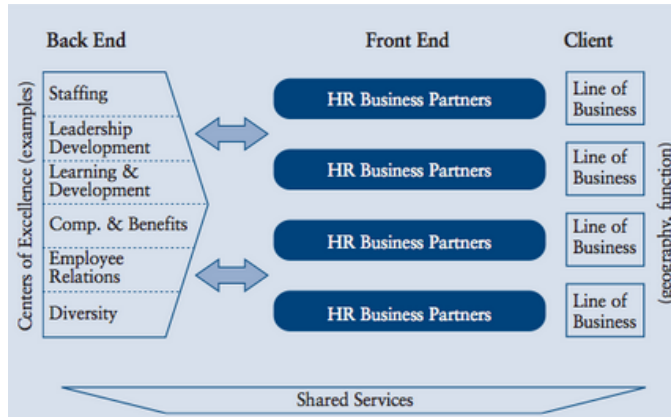
Figure 1.0

Image provided by kateskesler.com

The Business Partner Model began in 1997 when Dave Ulrich's book, "Human Resource Champions", was released. Before that time, HR had consisted mainly of administrative tasks performed by generalists or groups of specialists. HR employees often felt that their function within companies was not well-respected or acknowledged by the firm (Jamieson). As companies worked to become more efficient and ensure that all company functions were contributing to profitability, they pressured HR to contribute more to the company's strategy and its bottom line. As a result, HR specialists developed the BP Model was the primary solution (See Figure 1.0).

The main purpose of the Business Partner Model is to strategically connect a company's human capital with the business and its goals (Lambert 7). This is accomplished by assigning a "Business Partner" (BP) to specific business divisions or geographical areas. These BPs focus on the specific human capital needs of the department's division or region and use their knowledge of the business and HR to address the business needs as efficiently as possible.

Business Partner Model - Survey Results

Background About This Model's Survey Participants: See Table 1 below.

Table 1.0

Business Partner Model	
Number of Participants	48
Industry Break-Down	Healthcare (19%)
	Technology (17%)
	Consumer Products (17%)
	Financial Services (10%)
	Other (38%)
Company's Presence	Global (75%)

HR Experience of Respondents	
0-2 Years	4%
3-5 Years	13%
5-10 Years	23%
10+ Years	60%

Company Size	
0-1,500 Employees	15%
1,500-5,000 Employees	21%
5,000-10,000 Employees	13%
10,000+ Employees	52%

Growth, # of Employees Compared to Last Year	
Significantly Less	13%
Slightly Less	21%
Same Amount	23%
Slightly Higher	33%
Significantly Higher	10%

Planning to Restructure HR Model	
Participants in BP Model	19%
Main Reason: Improve Organizational Efficiency	

Business Partner Model – Advantages and Disadvantages

Advantages: Division and line managers appreciate having one contact for all of their HR needs and do not need to communicate with different HR people for every different task they need to have done. The Business Partner Model improves company efficiency by placing the primary emphasis for HR on understanding and furthering the company strategy instead of just doing administrative work. Instead of being unconnected from what is important to the company, HR professionals are an integral part of furthering company objectives.

According to Corporate Research Forum, when a company changes to a Business Partner Model, "HR functions should then comprise fewer, better deployed and more effective professionals, better able to contribute to business agendas" (Lambert 7). Companies will be able to accomplish the same amount with fewer HR employees, thereby improving department efficiency.

Disadvantages: If a company does not do a good enough job automating or outsourcing administrative HR tasks, BPs can become tied down with transactional work and administration. BPs are then unable to focus on the strategic functions that are their primary responsibility and HR cannot meet the needs of the business. BP's become paper pushers and will be taking care of day-to-day needs. They will not be able to strategically plan for the future. In the long run, the organization will choke and die if the BP's get bogged down with administrative activities that can be easily outsourced.

If not handled correctly, line managers can think that BPs are adding more work for them to do instead of reducing their workload and making things easier for them. BPs must ensure they are working with line, division managers in such a way that manager's feel that their job is made easier (Lambert 10). Often, BPs are not completely clear on what their responsibilities include. Managers may feel they need to have all the answers and do everything HR related for their "customer." Conflicting views between BPs and employees in Centers of Excellence may arise regarding who is responsible for certain tasks (Holley 11).

> **Pros:** "It works for our decentralized leadership structure."   -Kimberly Clark Corporation
>
> "Autonomy, Business focused, Leadership oriented, room for innovation."   -General Mills
>
> **Cons:** "More automation of HR processes and operational actions required by managers and employees." –Honeywell
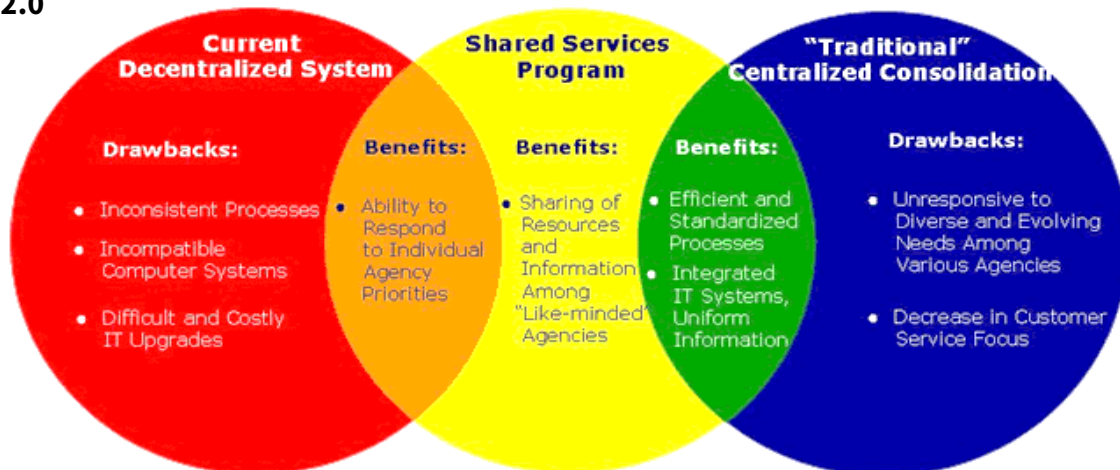
Shared Services Model

The Shared Services Model is rapidly becoming the most common HR Model in the workplace. Based on Tower Watson Corporation's research, almost half of the companies that are currently changing their HR models are implementing a shared services model, sometimes including business partners and "centers of excellence" (HR Service Delivery and Technology Survey Executive Summary Report 2013, 4).

Figure 2.0 below gives a quick overview of the Shared Service Model accomplishes and its benefits. This model strives to centralize HR functions as much as possible while continuing to be responsive to customer needs. This model utilizes groups of specialized HR employees which are referred to as Centers of Excellence. This model also allows utilization of a Business Partner role to address the needs of line managers. Then, the shared model introduces a middle group that is made up of HR employees with varied skill sets that can be easily transferred between projects. The end result is expanded flexibility and integration of HR resources for better service delivery.

The HR shared services model generally handles HR administration/transactions and deliver HR services to HR's customers (managers and employees). These services are payroll, benefits administration, salary administration, training administration, and employee relations. HR shared service centers often are the first line of communication with employees regarding these various services and issues, as well as more advanced advice and support.

Figure 2.0

This figure visualizes what the Shared Services model does for a business strategy organizational setting. Image provided by www2.illinois.gov

Shared Service Model - Results

Background About This Model's Survey Participants: See Table 2 below.

Table 2.0

Shared Service Model	
Number of Participants	30
Industry Break-Down	Healthcare (10%)
	Technology (23%)
	Retail & Wholesales (13%)
	Financial Services (10%)
	Other (47%)
Company's Presence	Global (70%)

Company Size	
0-1,500 Employees	40%
1,500-5,000 Employees	10%
5,000-10,000 Employees	3%
10,000+ Employees	47%

Growth, # of Employees Compared to Last Year	
Significantly Less	7%
Slightly Less	13%
Same Amount	17%
Slightly Higher	43%
Significantly Higher	20%

HR Experience of Respondents	
0-2 Years	3%
3-5 Years	13%
5-10 Years	27%
10+ Years	57%

Planning to Restructure HR	7%
Main Reasons: Improve Organizational Efficiency	
Cost Savings	

Shared Service Model – Advantages and Disadvantages

Advantages: This model promotes standardized processes and policies, allows resources to be shared across the business, and aligns work priorities of all the employees so everyone is informed and not wasting resources on unnecessary tasks. Overall, the Shared Services Model often increases efficiency and effectiveness of HR services (State of Illinois Shared Services Program 2013).

The shared services model allows each HR partner to meet with many levels of the organization and understand the business more closely. It gives HR professionals a variety of available experiences and provides good value to the business. It also has increased efficiency and reduced costs dramatically while maintaining a high level of customer satisfaction.

Disadvantages: If employees are not fully capable of handling different job functions, there can be confusion and impaired business performance. Plus, the model may have unclear lines of accountability if key roles and responsibilities are not specified up front.

In addition, this model can often lack sufficient automation if not implemented correctly and can lead to HR employees being overwhelmed with functions that can easily be handled through automation.

Another disadvantage in this model is that there is often little personal touch between the employees and the HR professionals. Most of the issues are dealt over the phone or via email, which does not allow the employees to feel as connected and supported as they otherwise would.

Pros: "Shared Services has increased efficiency and reduced costs dramatically while maintaining a high level of customer satisfaction. Additionally, we still utilize somewhat of a business partner model in the areas of employee relations and recruitment so the customers still have solid face-to-face HR interaction and support." -State of Utah

Cons: "Role definition (RACI) can sometimes get blurry." –Microsoft

Solution Centers Model

The Solution Centers Model was created in order to address some perceived flaws in the Business Partner Model. "It has the same basic shape, with the addition of a new component: a matrixed group of functional specialists that are the delivery engine for the back-end center of excellence and the front-end business partners" (Kates, (Re) Designing the HR Organization 2006). See Figure 3.0 below for the description of the Solution Centers Model.

The front end of this model is similar to the front end of the Business Partner Model, with a customer-facing team, but instead of many levels of generalists it has smaller teams with the skills focused on the work of organization assessment, design and development, and talent management. The acronym CRM stands for Customer Relations Manager. CRM's are the HR business partners who take care of company employees. The CRM role is relatively small compared to typical HR BPs. In some extreme cases only one person takes care of a whole line of business or a whole functional area. The number of people on the Business Partner teams does not depend on the number of executives on the management team, but depends instead on the complexity of the business function.

Figure 3.0
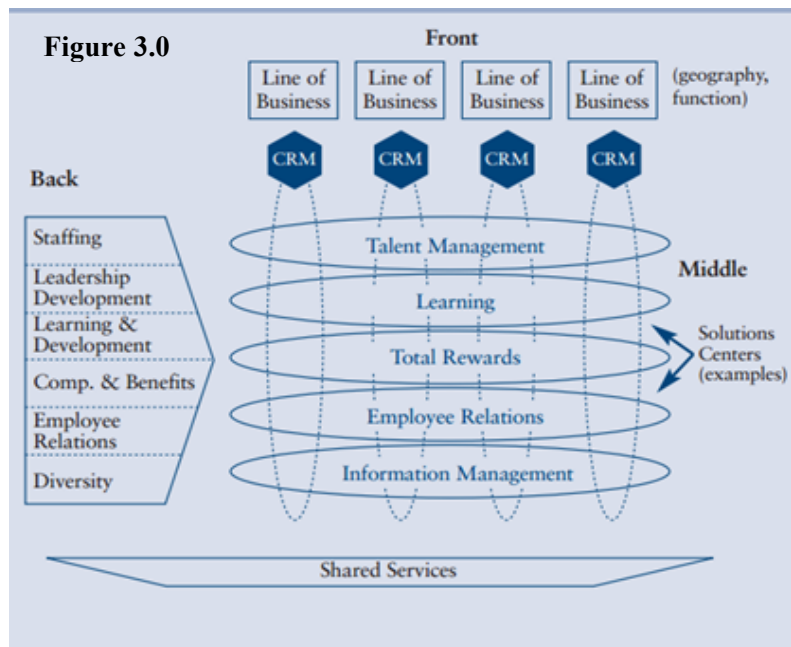
Because the front end is very "light", the middle is the primary source of HR delivery. The Centers of Excellence are similar to the back end of the Business Partner Model but they are also "lighter": "small groups of true specialists with deep expertise that make policy and adjudicate issues but do not usually deliver the work. They also provide a link externally and to other business functions—such as strategic planning, finance, or process reengineering—whose work more and more overlaps with that of HR" (Kates, (Re) Designing the HR Organization 2006).

Solution Centers Model Results

Background About This Model's Survey Participants: See Table 3.0 below.

Table 3.0

Solution Center Model		
Number of Participants	20	
Industry Break-Down	Healthcare (14%)	
	Technology (19%)	
	Retail & Wholesales (14%)	
	Consumer Products (10%)	
	Financial Services (10%)	
	Other (33%)	
Company's Presence	Global (86%)	

HR Experience of Respondents	
0-2 Years	10%
3-5 Years	29%
5-10 Years	10%
10+ Years	52%

Growth, # of Employees Compared to Last Year	
Significantly Less	5%
Slightly Less	38%
Same Amount	19%
Slightly Higher	33%
Significantly Higher	5%

Company Size	
0-1,500 Employees	14%
1,500-5,000 Employees	5%
5,000-10,000 Employees	0%
10,000+ Employees	81%

Planning to Restructure HR Model	
Participants in Model	14%
Main Reason: Improve Organizational Efficiency	

Solution Centers Model Advantages and Disadvantages

Advantages: Strong strategic business partner roles and global centers of expertise are major advantages along with a strong understanding of the business and seat at the table. Strong impact on talent management and leadership development. Some additional benefits of this model are the following: company goals and aims aligned to strategic businesses, strong centers of excellence, and strong support from external suppliers. Also, this model is able to bring a level of high-touch interaction with business leaders while also driving efficiency and innovation through COEs and shared services. This model has a strong emphasis on connecting and supporting each business unit.

Amy Kates, an HR specialist at Downey Kates Associates, says, "Disconnecting the majority of staff from the front end also makes for much easier shifting of resources to those parts of the business that have differentiated human capital requirements, because the people are not all tied up in the front-end business units" (Kates, (Re)Designing the HR Organization 2006).

Disadvantages: This model needs more applications of effective employee and supervisor self-service. The business partner roles are split between two people: one focused on strategy and senior talent, and one focused on program implementation and transactional requirements. This model can be confusing to the client and needs to be user-friendly.

Pros: "Strong strategic business partner roles and global centers of expertise, Strong understanding of the business and seat at the table. Strong impact on talent management and leadership development." -Eli Lilly

Cons: "I'd like to see us communicate and collaborate even more effectively. We're currently interviewing key stake-holders to determine the extent to which we need to go through an HR transformation to make our model even more effective." –Oracle

Conclusion/Where Models Thrive

Qualitative data

Table 4.0

HR Models	Business Partner Model	Solution Centers Model	Shared Services Model
Likes:			
Strategic focus	42%	52%	10%
Flexible	10%	14%	27%
Employee experience	27%	10%	17%
Effective use of Technology	8%	10%	3%
Cost effective/efficient	0%	29%	30%
HR employee growth opportunities	0%	10%	10%
Effective specialist roles	10%	0%	0%
Functional decentralized	15%	0%	0%
Consolidated	0%	0%	10%
Desired Changes:			
Improved Technology	17%	14%	17%
Better Collaboration	15%	33%	17%
Better Definded Roles	10%	19%	3%

Now what does this mean for you and your company? As you can see from the information above each model has pros and cons. The best model for a company depends on the desired focus of the company and its strategy.

In Table 4.0, you will find the aggregate analysis of the comments made by the surveyed HR professionals organized by model. This analysis shows clearly that each HR model has a unique focus. For example, having a strategic focus and better connection with internal customers is the most important factors for companies that use the Business Partner Model, whereas having a flexible and efficient HR department is most important to those who have a Shared Services Model. Like the Business Partner Model, strategic focus is also important for those who utilize a Solution Centers Model, but they also emphasize being cost effective and efficient. The model that best fits a company is the one that aligns with what is important to them.

Quantitative Data

Table 5.0

AVERAGE VALUES			
HR Model	Business Partner	Shared Services	Solution's Center
Time Spent dealing with Strategic Tasks	44.37%	58.12%	50.71%
HR to Employee Ratio	1:152	1:157	1:186
Companies Increasing Spending for HR Technology Solutions	46%	37%	47%
Outsourcing Activities			
HR Model	Business Partner	Shared Services	Solution's Center
Benfits	55.20%	53.20%	60.00%
Compensations	32.00%	31.00%	27.40%
Employee Relations	26.20%	25.60%	24.20%
Performacnce Management	25.40%	23.40%	23.20%
Recruiting	40.40%	31.80%	43.20%
Training & Development	41.80%	32.40%	36.80%
Automation Activities			
HR Model	Business Partner	Shared Services	Solution's Center
Employee Self-Service	72.80%	67.60%	77.80%
Manager Self-Service	70.20%	63.40%	75.80%
Policies & Procedures	71.60%	67.60%	76.80%
Performance Management	70.60%	68.20%	73.60%
Training & Scheduling	69.40%	64.80%	81.00%
* Numbers may be skewed due to the number of respondends			

In the table below, we have placed all the data from the five major categories: 1) Time Available for Strategic Tasks, 2) Outsourcing HR Activities, 3) Automated HR Functions, 4) HR Employee to Regular Employee Ratio, and 5) Change in Technology Spending in 2014. The values are averages we calculated from all the responses we collected. Some key findings are as follows:

- Solution Centers Model: automates HR functions more than the other models.
- Business Partner Model: outsources more of its HR activities, on average, than other models.
- Shared Services Model: more time spent on

strategic tasks and less desire to increase technology spending, implying greater satisfaction with their HR technology solutions than companies using other models.

In general, businesses are currently using one of these models or are transitioning to one of these models because of the increased efficiency, reduced costs, and improved HR delivery often seen with these models. However, it should be remembered that these models are theoretical and every business will adapt one or a mixture of these models to their unique circumstances. The most important thing to consider when designing the organization of HR in your company is leveraging your human capital as efficiently and effectively as possible. Keeping the strategic utilization of human capital in the forefront of any HR Organizational restructure will significantly improve HR's value to the company. The true mark of an effective HR model is based on how well the organization manages their people, who make up the backbone of the organization (Bhatia 2008, 4).

Planning for the Future

To use the preceding data effectively, HR professionals' first need to determine their company's strategy and vision for HR. There are several tradeoffs that need to be made when designing an HR organization and it's important to think about the company strategy when considering questions such as the following:

- Do we want the employee/internal customer experience to be of utmost importance or are cost savings worth slightly worse service delivery?
- Is focusing completely on high-level strategic projects the best way to utilize our HR professionals, or is it better to be as flexible as possible?

For nearly all companies, the best solution lies somewhere between the extremes of the tradeoffs. Although finding the right balance can take some effort and experimentation, the right HR organization can greatly increase HR's impact and value for the company.

Bibliography

Becker, B. E., Ulrich, D., & Huselid, M. A. 2001. *The HR Scorecard.* 1-5. Boston: Harvard Business School Press.

Bhatia, T. Evolution of the HR Function. Accessed October 26, 2013. https://empxtrack.com/evolution-of-the-hr-function.

Boudreau, John, Jay Galbraith, and Amy Kates. 2011. "Designing an Integrated HR Function: What the CHRO Needs to Know." *Kateskesler.* Accessed November 15, 2013. http://kateskesler.com/wp-content/uploads/2012/08/Chro.pdf.

Holley, Nick. 2009. "Henley: University of Reading." *HR Models - Lessons from Best Practice.* October 10. Accessed September 12, 2013. http://www.henley.ac.uk/web/FILES/corporate/cl-Henley_Centre_HR_models_desk_research_October_2009.pdf.

n.d. *HR Strategy & Solutions Center.* Accessed November 15, 2013. http://www.nyu.edu/about/leadership-university-administration/office-of-the-president/office-of-the-executivevicepresident/office-of-operations/human-resources/hr-strategy-solutions-center.html.

Kates, Amy. 2006." (Re)Designing the HR Organization." *KatesKesler.* Accessed September 19, 2013. http://c.ymcdn.com/sites/www.hrps.org/resource/resmgr/p_s_article_preview/hrps_issue29.2_designingorga.pdf.

Kates, Amy, and Gregory Kesler. 2011. "Redesign Functions to Be Integrators." *KatesKesler.* Accessed November 14, 2013. http://kateskesler.com/wp-content/uploads/2012/08/Design_of_Functions.pdf.

Lambert, Andrew. 2009. "The Effective HR Business Partner." *SHRM.* November. Accessed September 18, 2013. http://www.shrm.org/Publications/hrmagazine/EditorialContent/2010/0910/PublishingImages/CRFReseach.pdf.

2013. *Shared Service Program.* Accessed November 12, 2013.

        http://www2.illinois.gov/sharedservices/Pages/hownewprogramworks.aspx.

2013. *HR Service Delivery and Technology Survey Executive Summary Report.* Executive Summary, New

        York: Tower Watson.