



CENTRE FOR
PERFORMANCE-LED HR

HR Delivery Systems: Re-engineered or Over Engineered?

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Contents

1. Introduction	2
2. A brief history of ideas	5
2.1. “From doing to delivering”	5
2.2. “The Three – Legged Stool” (aka “the three box model”)	7
2.3. Valid or mis-directed criticism?	9
3. The Centre’s Research on HR structures	11
3.1. How important is the possession of a “three – box model” in predicting value outcomes for the business?	12
3.2. Evidence from qualitative research	15
3.3. The lessons to be learned across all our data	20
4. Successful implementation of HR structures	23
5. Responding to the Questions	26
6. Concluding Thoughts	28
ENDNOTES	33

1. Introduction

The current recession is exacerbating the need for change. It is creating pressure for cost savings; whilst in some sectors, it is driving a fundamental shift in the business model which entails new thinking about HR added value¹. Are HR functions doing enough to react to these circumstances?

In the CPHR White Paper series we have focused upon topics that are highly relevant to the HR leaders of today - namely the contribution of HR to business model change, the role of HR in Organisation Design, the relationship between employee engagement and performance and issues of power and influence for HR Directors. In line with this theme of relevance, the focus of this White Paper is no less important as a priority for HR Directors. We have chosen to explore issues of HR delivery systems and HR structures. In times of recession choosing the optimum organisational configuration for HR service delivery is crucial and, as the paper hopefully demonstrates, an area of concern to today's HR community.

There is an intriguing paradox when we consider the debates about how HR should best structure itself to deliver organisational value. On the one hand it is unlikely that there is a function that has been more dominated by the theories of one individual, such is the influence of Dave Ulrich on HR departments over the last 15 years. On the other hand, the trend in HR publications in the last 3 years or so – backed up, it seems, by research, including our own – is that 'it doesn't always work'.

Although it has been argued by no less a contributor than Ulrich himself, that the key to success in HR is managing paradoxes², our feeling is that - given the continued impetus towards implementing the so called Ulrich 3 Box Model – this particular paradox needs further exploration.

The purpose of this White Paper therefore is threefold:

- to understand the origins of the ideas that so dominate the structure of HR departments
- to understand why there is a large and increasing amount of concern leveled at the implementation of the 3 Box Model
- to gain an understanding of the implications of this debate for HR departments: the key success factors for implementing HR structural change

The value you will derive from reading this paper is as follows. We deal with the HR delivery model by describing the layers of challenges which HR Directors need to overcome in design and implementation. You may find, at any point in the paper, that you conclude the issues we present are not currently solvable in your organisation. This is entirely our intention; not to give you the message that these ideas are inherently unsolvable, but that you may have to limit your expectations of success. We draw upon five sources of data in this White Paper:

1. our ongoing research interviews into HR strategy;
2. the internal workshops run with HR teams implementing new delivery models;
3. a quantitative survey data linking elements of HR structure with perceived value;

4. qualitative data examining the implementation issues faced over time with each of the main 'boxes' of an Ulrich model; and
5. two case studies of relatively successful implementation.

We use these data to draw attention to a number of key learning points about changing HR delivery models.

To begin with, we all know that HR departments should be adding value. But what value? We have expressed this question in a previous White Paper in a different way, as "Reversing the arrow". That is, to begin with the all important clear rationalising of the value added of the HR function to the business rather than basing delivery on a perception of the value of the HR function by line colleagues, or from a relatively unsophisticated implementation of practices which, as we will show, have a shaky historical foundation. We further define value in this paper as:

1. 'upstream', (being able to help the line acquire and build the right talent, creating value, ensuring effective transfer of knowledge and having HR processes that are linked to relevant performance outcomes)
2. 'downstream' (being able to protect and preserve the value inherent in the strategy by helping the line to design effective governance processes, and helping the line optimise their policies and processes), and
3. 'cross-organisational' (the ability to deliver effective HR processes across organisation boundaries).

We invite you to decide which of these is most important in your organisation before attempting HR model design. The HR delivery model is a factor in adding value in two of these areas, but not the third, so it's important to be clear about this.

The second level of analysis in the paper, deriving from our qualitative research, invites you to think about what the devil is, precisely, that is in the detail. Again based on our own qualitative research, we will walk you through the rich and complex problem that you are faced with when implementing an HR model by identifying the key areas of concern in each delivery area for you to consider. These factors emerged from our research and you can consider the importance and relevance of each to your own situation, in turn.

The third level of analysis recognises that one of these factors, and an essential one, is the relative level of maturity of your organisation – HR and line included; maturity, that is, in how close it is in both the capabilities needed in the line and HR, and the willingness to accept a new style of HR service. The paper outlines the notion of organisations being in differing stages of readiness in terms of their maturity re introducing new structures and delivery systems.

The fourth level of analysis – if you are still with us by this point! – is to consider two cases of organisations we work with who consider that they have, in fact, reached this stage and have, by most measures, been successful at implementing an HR delivery models. We tell you how they've done it and summarise for you the main messages from their experience.

Let us be clear, that in this White Paper, we have no intention of taking a position criticising the work of Ulrich. It is approaching a truism to say that he has added enormous value to the function since the publication in 1997 of his (first) seminal book “Human Resource Champions”. Ulrich himself has gone on record recently to state that the structures being implemented by HR based on his work are not actually ‘his idea’ at all but an interpretation of his writing, including the much vaunted “three box model” (or “three legged stool” is another well known tag).

Rather, our approach can be summarized by asking “what is going on, why is it happening, and what must organisations learn from this?”

Our research tells us that most HR functions, if not already operating with a fully – fledged three box structure, are considering whether, or how, to implement one. The current recession is exacerbating the need for change. For certain, it is creating pressure for cost savings; whilst in some sectors, it is driving a fundamental shift in the business model which entails new thinking about HR added value, as we discussed in our paper *Reversing the Arrow*³. Are HR functions doing enough to react to these circumstances?

Certainly the basic principles and apparent benefits of the model are simple to comprehend and thus have a strong appeal to HR leaders wishing to enhance their function’s performance. At the heart of the model lies the notion of a set of HR professionals, embedded within line businesses and working on processes and outcomes that are central to competitive success, but supported by both efficient processes to handle the more transactional aspects of HR work, and more strategically-orientated centres of excellence. This segmentation of work is based on a formula that can be, and has been, applied to several other service functions beyond HR at a macro level (IT and finance being obvious examples). Surely, we might ask, there is enough of an experience-base to know how to optimize the operation of this three component model?

In practice however, optimally synchronising the three parts is quite a complex management issue. Some organisations seem to be more effective than others.

Why is this? When practitioners have to match the model to the more micro-level decisions associated with the peculiarities and idiosyncratic nature of their particular business (a ‘the devil is in the detail’ argument), it is essential that they apply the model with sufficient clarity allied to effective processes and a high quality HR team.

If implementation has been difficult or problematic, there are a number of possible questions revealed by our research. Possible causes of dissonance may be:

- the specifics of the design are inappropriate to the organisation's need and require refining?
- the architect's plans have simply been misread and misunderstood?
- other motivations (such as cost cutting and work simplification) have hijacked or distorted otherwise well-intentioned HR-structure change projects?
- the quality of the human resource (HR professionals!) have been found wanting, in terms of the demands made upon them ?
- the surrounding culture of the organisation that the model is being applied to is non-accepting of change?
- Client managers may not be receptive to a strategic business partner philosophy?
- Linked to the previous point, are client managers ready and prepared to make the adaption to their responsibilities, in terms of people, that are frequently a requisite part of implementing HR structure change?

We will respond to these issues and questions in later sections of the paper.

2. A brief history of ideas

Curiously, for such a dominant concept in the HR function, it is not easy to locate the origin of the now-famous “three legged stool” of HR structure. Is this why the ‘three box model’ – or ‘Ulrich’s model’ by (inaccurate) association - has come under fire recently in the popular HR press?

It seems to be common in contemporary organisations, and more specifically in HR functions, that there is a tendency to accept received wisdom about how things should be done as though that wisdom has been handed down to the recipients on tablets of stone. These tablets, commonly known as “best practice”, and reinforced by management texts and consultancy material, often receive minimal critical reflection regarding their validity and origins. Little time may be spent on considering alternative possibilities. Busy managers, under pressure, look for the ‘quick fix’ that can have an instant impact, especially in difficult economic circumstances. HR, as a function, seems more prone to this than most, possibly due to a ‘chip on the shoulder’ about their role and value to organisations.

We believe this to be a risk, as it results in poor value added solutions, which in turn damages long-term competitive advantage (after all, where is the ‘edge’ in an organisation’s HR delivery systems if everyone else is doing the same thing?). It also results in a phenomenon inside organisations known variously as “initiative-it is” or “death by initiatives” as each new manager brings his or her “best practices” to the work. If you share this concern, then this White Paper will be of value to you.

Implementation of a particular type of structure in HR is no exception to this ‘best practice’ thinking. This is why we begin with a brief survey of the origins of some of the most common current practices in structuring HR units. We do this in the belief that a demonstration of the history of an idea can to an extent demystify it, help us to understand it more profoundly, and show that alternatives are possible. Once following this line of thought, it becomes clear that the practice itself may not be the real problem.

2.1. “From doing to delivering”

This is the phrase – now almost a mantra in terms of perceptions of Ulrich’s early work – that best sums up his contribution. First introduced widely in 1997 in the HR Champions book, he has used it consistently and regularly since. As recently as 2008 he is still quoted as saying “For HR professionals to contribute in the future they must add value now. This means focusing less on what HR does and more on what HR delivers and to whom”.⁴

This notion was the “big idea” in the mid 1990s when thought leadership in HR focused upon two interlinked issues:

1. “can we abolish the HR function?” And the response to this question:
2. “HR needs to be more strategic”.

The “doing to delivering” argument

This can be summarized as follows: HR units have, to this point, concentrated too much on being expert in particular areas – recruitment, staffing, reward, communication, organisation development, employee relations and so on – in other words, activities. What HR needed to focus on instead were the results of HR activities, the valued outcomes that improved the business bottom line. There were four general categories of these “deliverables” defined by Ulrich:

- strategy execution,
- administrative efficiency,
- employee contribution, and
- capacity for change.

We need to understand that the word “value” in this case does not *necessarily* relate to any intrinsic economic value, but is more a product of *peer perceptions* – the things that peer functions would expect to see being done by the function.

How did these “value” outcomes for HR map to a new type of structure? In the original book, Ulrich applied the concept of “business partner” to all four areas, which became the four “roles” of HR. So, the administrative expert role would be a business partner, for example, because they “save their business money through the more efficient design and delivery of HR systems”⁵.

He also states that:

*“...HR professionals have mistakenly defined business partnership as taking place exclusively in the strategic arena, not recognising the importance of with, and for, employee contribution”.*⁶

In the discussion of the role of “strategic partner”, the concept of “business partner” is never mentioned.

Under the role of the Administrative Expert, Ulrich defined four possible mechanisms for the delivery of such services:

- 1.the brokerage (outsourced HR),
- 2.the shared services centre (for transactional work),
- 3.the Centre of Expertise (for transformational work) and
- 4.the integrated unit (a cross functional centre of excellence).

In fact, in his seminal book *Human Resource Champions*, Ulrich did not attempt to define how HR ought to structure itself to deliver the four value outcomes; this was clearly not his intention, and until recently, never has been. Instead, he restricted himself to describing, with the use of examples, how value could be *delivered* by HR.

To illustrate the extent to which his ideas have been co-opted, here is a quotation from the CIPD website on “what is HR Business Partnering” (revised in October 2008):

“The concept of business partnering emerged in the mid 1990s. It was one of a number of key HR roles proposed by Dave Ulrich necessary for HR to transform itself into a ‘value adding’ function. In his initial work, Human Resource Champions, Ulrich referred to the role as that of ‘Strategic Partner’.”⁷

This is at best misleading; at worst, simply not true.

There has, therefore, clearly been a substantial degree of interpretation of Ulrich’s original ideas into the “structures” now commonly implemented by HR units. The most widespread of these interpretations is that of the “three legged stool” or “3-Box Model”. It is certainly not the only one, as we shall see later. But to what can we attribute this interpretation? And to what extent has the “three legged stool” characterised accurately - or not - Ulrich’s original idea of “from doing to delivering”?

2.2. “The Three – Legged Stool” (aka “the three box model”)

Curiously, for such a dominant concept in the HR function, it is not easy to locate the origin of the now-famous “three legged stool” of HR structure. The earliest reference that we have discovered originates – not surprisingly, perhaps – from an HR consultancy firm, Mercer, dating from 1999 – two years after the publication of HR Champions. The article – in *HR Magazine* – was describing the evolution of HR departments away from functions to a “team – based model”.

“The traditional design typically includes a vice president of HR, then a manager of compensation and benefits, a manager of HRIS and payroll, a manager of employment, and so on... However, the emerging model is more like a three-legged stool. One leg of the stool includes an administrative service center, which processes payroll, benefits and the like and focuses on efficiency in transaction functions. The second leg is a center of excellence (or expertise), in which managers and specialists work. These employees concentrate on design rather than transactions and will have line managers as their customers. HR business partners make up the third leg. These are generalists who may report directly to line managers and indirectly to HR. Business Partners do not get involved in transactions, but instead act as consultants and planners, linking the business with appropriate HR programs... about 80 percent of businesses today have a mix of the traditional and three-legged stool models”⁸



Figure 1: The Ulrich 3 Box Model

Mercer still uses the tag of the ‘three legged stool’ in its current literature, with the component elements of business partner, shared services and centres of excellence still central to the HR structures they are promoting, while they recognise that the model needs to be adapted, particularly for global HR functions .

It is also worth a minor digression, at this point, to consider how the introduction of 3-Box models is viewed from a global perspective. Research has shown, that despite significant questions about the global introduction of a 3-Box model, the relevance of this development to international HRM is considerable⁽³⁾. However to date there does not appear to be a common international path to the internationalisation of shared service models ⁽⁴⁾. Central organisation can also imply that a small subset of HR experts hold sway over HR system design and if they are not internationally minded then their perceptions of (country level) customer need may themselves be stereotyped. HR professionals from one country to another have very different levels of professionalisation. The depth of HR talent capable of taking on an HR business partner role varies markedly. The attractiveness of the idea varies across countries, as does the role of line managers and their ability to help employee self-management. Finally, legislative constraints around data protection and management, and cultural differences in the relationship between line managers and employees, and employees and HR have all impacted the ease with which a 3-box model can be implemented.

It seems both likely and possible, therefore, that the interpretation of Ulrich's original ideas was developed by consultancies marketing new structural possibilities to HR departments; with those consultancies looking to package their offerings/solutions into something easily implemented on the ground, and the client HR departments looking for a quick fix to show that they were reacting to "the move to strategy". Internal reorganisation of the function, and the attraction of a major cost reduction in administrative overheads, are two ways of showing responsiveness. They are also comparatively easier to sell to hard-pressed Boards than actually, or necessarily, delivering a better and more strategic HR service. This is especially true where the latter involves the line changing their attitude to HR, which is a much more difficult proposition.

As one recent commentator has expressed it:

*"Shared services, centres of expertise and business partners are too often erroneously referred to as 'structure'. They are actually delivery channels and they should occur only as a consequence of changes in the HR... value proposition."*⁹

2.3. Valid or mis-directed criticism?

Is this why the 'three box model' – or 'Ulrich's model' by (inaccurate) association - has come under fire recently in the popular HR press? Criticism has been along two dimensions:

1. We risk fragmenting or distancing HR from the line
2. Some key elements of the model are not delivering the value expected of them

In relation to the first charge, back in 2003 Lynda Gratton wrote¹⁰:

"...during the past decade we have fragmented the roles and responsibilities of the function. We have outsourced the lower value, operational work, and we are beginning to develop the staff profiling work that will enable us to act as "employee champions". We are also putting the "change agent" roles back into the streams of business to work closely with their line manager partners. Meanwhile the "business partners" are either going into the businesses or clustered around "best practice" centres, which may be located in different places... this fragmentation of the HR function is causing all sorts of unintended problems. Senior managers look at the fragments and are not clear how the function as a whole adds value"

In relation to the second charge, recent headlines include "Backlash against business partner model as managers question results"¹¹ ("A backlash against the much-feted HR business partner model appears to have begun after research revealed that more than half of managers were unconvinced by the structure") and "Benefit of Ulrich's hindsight hasn't done HR any favours"¹². In fact the majority of recent criticism, implied or otherwise, has been generated by commentaries on two recent research reports.

1. The Institute of Employment Studies report for the CIPD¹³ describes the variable implementation of the classic three – part ‘structure’; it is, they report, the most common model to be implemented among their research respondents, but that it has been implemented “with many variations in its form”.¹⁴ Only 18% of their respondents have introduced the structure in full. There is, they conclude, no one model that fits all circumstances.
2. Roffey Park¹⁵ draws a similar conclusion in relation to the business partner role; that it has been introduced widely across organisations within their research base but that “only” 55% believe it has been quite successful, with a third “not sure”. Roffey Park did identify that tailoring the design of the delivery system to an organisation's specific requirements was more likely to lead to successful implementation.”

The Partial Success Arguments

A (brief) summary of the findings of these reports would conclude that the following are issues which commonly lead to partial success:

- an ‘off the shelf’ introduction of a new HR structure without careful thought as to how the model fits the organisations’ requirements
- a lack of care in dealing with the boundary issues between elements of the HR structure which can easily become fragmented
- a lack of attention to the new skill sets needed by business partners to ensure they can play at the strategic level
- a lack of understanding on the part of line managers as to the value of a new HR structure
- a lack of skill on the part of line managers to make the required shift to greater responsibility for people issues entailed by the new model
- what is referred to as the ‘polo’ problem¹⁶: a lack of provision of the execution of HR services, as the business partner shifts to strategic work, and the centre of expertise to an advisory role.

3. The Centre’s Research on HR structures: Finding the devil in the detail

89% of HR professionals feel that their HR structures need further refinement to truly add value. Are HR functions missing a trick if they just focus on executing the structural changes associated with an “Ulrich” model? We believe so.

We have conducted our own research into HR Delivery systems and will present the findings of this research here. The qualitative and quantitative analysis in this section is based upon a survey of 128 HR Directors and senior HR practitioners representing a wide range of organisations with the data gathered from June to October 2008 and again in June 2009. Table 1 shows the proportion of organisations that already have, are currently implementing or plan to implement each box.

	Already Have	Do Not Have	Are Currently Implementing	Plan To Implement
Service Centre	46 (35%)	54 (42%)	21 (16%)	8 (6%)
HR Business Partners	83 (64%)	30 (23%)	9 (7%)	7 (5%)
Centres of Expertise / Excellence	49 (38%)	64 (50%)	9 (7%)	7 (5%)

Table 1. Combined 2008 and 2009 data showing extent of implementation of an Ulrich delivery model

There is, as one might expect, a great deal of change going on, but in general, our respondents indicate a relatively low level of understanding of the organisation’s business model among HR staff.

60% of organisations have had to rethink value proposition, financial models, structures and capabilities. Only 19% have had no change in the organisational capabilities that are needed. However, only 25% of HR Directors believe that more than 3/5ths of their HR function has a deep understanding of the organisation’s strategy and business model. Similarly, only 21% believe that more than 3/5ths of their HR function understands the line issues that are faced when making the components of the business fit together in the business model.

Key findings from the 2008 survey research:

- 53% of HR functions understand the organisational capabilities the business model requires
- 65% have experienced internal HR transformations to a large extent
- 89% feel (agree/strongly agree) that their HR structures need further refinement to truly add value,
- Only 30% believe their HR structures are flexible enough to meet any strategic challenge
- 41% believe that they now have to deliver 'joined up' HR across organisational boundaries
- Only 25% believe that HR has helped develop learning about how best to execute strategy

3.1. How important is the possession of a “three – box model” in predicting value outcomes for the business?

Perhaps the most striking finding, however, is that the possession of a mature “three box” HR structure does not predict the perceived ability of the organisation to deliver any three of valued HR outcomes:

- upstream value (being able to help the line acquire and build the right talent, creating value, ensuring effective transfer of knowledge and having HR processes that are linked to relevant performance outcomes)
- downstream value (being able to protect and preserve the value inherent in the strategy by helping the line to design effective governance processes, and helping the line optimise their policies and processes), or
- cross-organisational HR capability (the ability to deliver effective HR processes across organisation boundaries).

So, are HR functions missing a trick if they just focus on executing the structural changes associated with an “Ulrich” model? We believe so. The good news, however, is that the other factors we examined did appear to be able to predict value. By using a technique of statistical analysis (which we explain in the footnotes for those who are interested¹⁷) we were able to show how certain strategic capabilities predicted HR’s ability to add value. The factors we examined are shown in Figure 2.

3.1.1 Impact on Upstream value

To begin with we consider the first element of value – that of being seen to create upstream value – i.e. creating value by being able to help the line acquire and build the right talent, ensuring effective transfer of knowledge and having HR processes that are linked to relevant performance outcomes such as innovation, customer service, and productivity.

Business Model Change

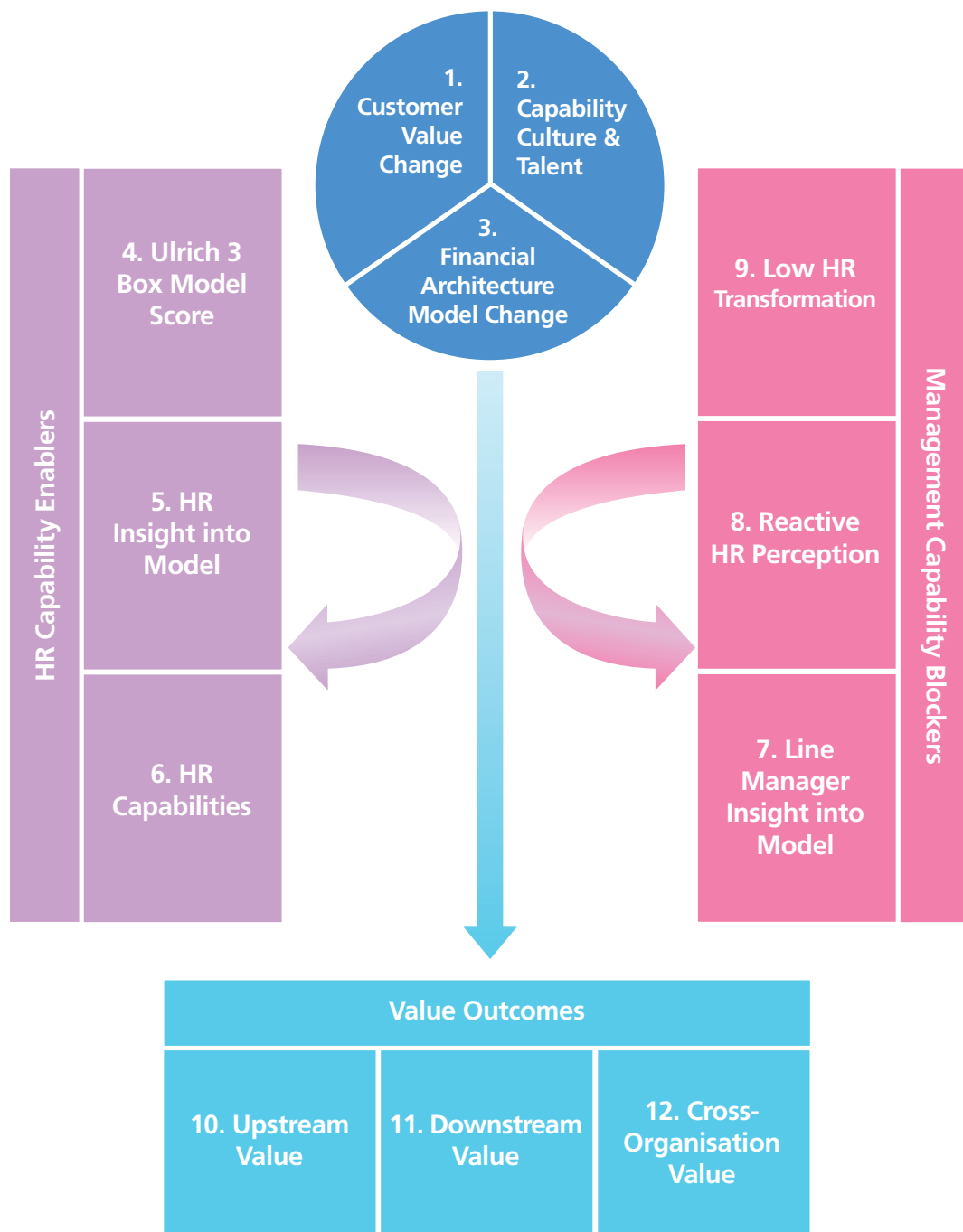


Figure 2: The Business Model Change, Capability and Value Model

39% of upstream value can be predicted by the Business Model Change, HR Capability Enablers and Management Capability Blockers outlined in Figure 2.

A very important finding is that the presence of an Ulrich 3 Box model structure makes no difference to upstream value. Of all the factors, the most important is the perception that HR in the organisation is not reactive, explaining nearly 16% of upstream value. Reactive HR had four elements –

- being perceived as having an HR structure that needs refinement
- introducing off the shelf practices
- having HR for HR's sake
- a poor relationship between the HR Director and the CEO

All four count against adding upstream value.

Two HR capabilities then become important in improving upstream value. The possession of **Business Model Insight** explains a further 16% of value – HR having architectural and component knowledge and understanding the strategy. After this, another 6% of value comes from **HR having insight into the organisation design and capabilities issues** - i.e. HR knowing more about organisation design than the line, HR understanding the organisational capabilities and helping to lead change.

Finally, the **level of line management insight** – Senior Managers truly understanding the strategy and business model, the business model being implemented consistently by line managers, and being understood and explained the same way by the line - adds another 4% of upstream value.

What does the statistical analysis tell us?

- Simply pursuing the structural solution implied by a 3 box model is not a sufficient condition for HR to deliver high perceived upstream value.
- If HR has a high level of business model insight and a high level of organisation design and capability insight, this appears to be four times more important than having a mature Ulrich structure.
- Similarly, being able to ensure the absence of line perceptions of reactive HR but have also experienced significant internal HR transformation is five times more important than simply having the structure.

Of course, there are fine-level debates to be had about the independence of these attributes – for example, do you have to have an Ulrich structure before you can understand the business model? We, however, see no reason why the first is necessary for the second. There are many ways in which an HR function can ensure it understands the business model and has good insight into the organisation design and capability issues.

3.1.2 Impact on Downstream value

For downstream value, not only is an Ulrich structure again not important, nor are any of the HR capability enablers. All of the factors in Figure 2 only explain 10% of downstream value. Insights into the business model, organisation design and organisation capabilities are of little consequence for downstream value. The only important factor is again avoiding the perception of Reactive HR.

3.1.3 Impact on cross-organisation value

Finally, 12% of cross-organisation value could be predicted, and for this there were only two important factors. 9% of value could be attributed to the absence of internal HR transformation - overhauls of HR structures, capabilities or service orientations did not help deliver cross-organisation value. Another 6% came from there being a high level of change in the financial architecture created by the business model – change in where costs are being incurred, how profits are generated, and in the systems used to measure business and organisational performance.

3.2 Implementation issues revealed by qualitative research

The extensive research into HR delivery models we have conducted among both our sponsoring organisations and through the qualitative survey responses support the conclusions from the survey. They are in varying stages of transforming their HR structures¹⁸; but regardless of the stage, some key themes emerge. The issues faced with each “box” are shown below in Tables 2 (HR Business Partners), 3 (Centres of Expertise/ Excellence) and 4 (Service Centres). Each table gives

- the type of issue raised by the respondents
- the percentage of organisations raising that issue in a) the 2008 survey, b) the 2009 survey, and c) combined over the two years
- Some quotations from the survey illustrating the issue

BUSINESS PARTNER IMPLEMENTATION ISSUES	% 2008	% 2009	% 08/09
1. Capability: Upskilling, business acumen, cultural insight, relational skills	36%	31%	34%
<p>“Getting HRBPs to think “business” first and “HR” second”</p> <p>“HRBPs are still operating reactively focused on today’s problems not predicting and addressing tomorrow’s challenges”</p> <p>“Lack of skills required by the individuals placed in the roles from previous transactional positions within the team”</p> <p>“BPs by title don’t necessarily truly know how to operate at a strategic / change orientated level”</p>			

2. Expectations: Selling the proposition, education of the line, line capability	27%	24%	26%
<p>"Some real progress made to integrate HRBP as a true "partner" with the business but still some areas who fail to recognise the benefits of this working model"</p> <p>"Line managers still want admin support and short term HR advice above all else. The most highly regarded HRBPs are those that provide this service effectively. What does this look like? - React immediately to the line manager's wishes, do most of the line manager's people management work (particularly paperwork) for him/her and ideally hold any difficult conversations with individuals on behalf of the line manager"</p> <p>"Remote and Matrix operations require clear responsibility and good continuous communication. We need to improve both"</p>			
3. Resource alignment: aligning to the business, role overload, support to BPs	14%	18%	15%
<p>"Has created a BP silo mentality within the HR function"</p> <p>"Ensure consistency across all the business"</p> <p>"Ensuring HRBPs have the right level of support to do their jobs effectively (e.g. systems, data, admin)"</p> <p>"Too big a day job to do the business partner strategic & change aspect of the role"</p>			
4. Agenda alignment and regulation: corporate versus business unit alignment, line manager decision making mechanisms, consistency of HR delivery	11%	10%	10%
<p>"Due to the size of the largest part of the business the BPs are generally implementers of national initiatives/strategy rather than empowered to develop and implement strategic people plans that are particular to their unit"</p> <p>"HRBP's required to operate at differing levels of complexity based upon the area of the business to which they may be aligned"</p> <p>"Challenge to join up local initiatives with corporate ones - potential misalignment"</p> <p>"Provision of HR advice and services across multi site environment"</p>			
5. Role drift: reactive, operational, residue of transactional work	5%	15%	8%
<p>"Day to day caseload has not been separated from strategic BP role"</p> <p>"How to stop HR BP's from "going native" and aligning to local priorities"</p> <p>"Strategic model for the BP role has been slow to materialise - too much low level involvement in basic HR queries"</p>			
6. Boundary Management: BP relationships with, and sequencing the introduction of service centres and COEs	7%	2%	5%
<p>"Getting HRBPs to reach back into corporate HR or work with their counterparts - replication of effort"</p> <p>"Who and how the central functions liaise with the specialist/centres of excellence areas"</p>			
7. Costs	1%	2%	1%
<p>"Financial considerations by directors - cost of HR support comes off their bottom line"</p>			

Table 2: Implementation Issues with Business Partners

Table 2 is based on 165 qualitative comments. A number of issues have remained consistent over time. This in itself is an important finding – it suggests enduring difficulties that are not eased through the luxury of learning. By far the most difficult issue with HR Business Partners is the question of capability, followed by managing expectations. Both these issues have become (only) slightly less prevalent in the last year. Problems of aligning resources and role overload have increased a little in this last year, as indeed too has the problem of role drift.

Table 3, examining implementation issues associated with Centres of Expertise/ Excellence, is based on 86 qualitative comments. The last year has seen some strong changes in prevalence of implementation issues. Down in importance come problems of governance arrangements, role specification and quality assurance, but up come problems of resource alignment, instability in demand for expertise and communication with other elements of the HR delivery model. The quality of expertise remains a perennial issue, as does maintaining an appropriate blend of knowledge in the centres between generalist skills and specific business model insight, and ensuring effective exploitation of the Centres’ knowledge.

CENTRE OF EXPERTISE/ EXCELLENCE IMPLEMENTATION ISSUES	% 2008	% 2009	% 08/09
1. Role Specification: Proposition and governance arrangements	20%	13%	18%
<p>“Business to see that this is for the global benefit of the company and not their own silo”</p> <p>“How you keep the centre of excellence areas close to the customers (commissioning the work and evaluating the service)”</p> <p>“Accepting the centre of expertise holds the budget for the activity and that their area is not entitled to a certain percentage”</p> <p>“I don't want to create an ivory tower again”</p> <p>“To align the business strategy and the HR value proposition”</p>			
2. Availability of Expertise: Skill depth, business acumen	17%	17%	17%
<p>“Lack of business acumen & insights”</p> <p>“We are a small Dept and can't have the luxury that this is just your expertise. We need to cover other jobs and also be able to cover for sickness/leave”</p> <p>“People capability - availability of deep experts”</p>			
3. Resource alignment: costs associated with instability of expertise demand, when to use it, engaging with the services	12%	27%	17%
<p>“Instability of demand when resources are internal”</p> <p>“Getting people to use them rather than remote Business Partners or actioning themselves”</p>			

4. Quality assurance: quality of services across business units and countries	22%	3%	16%
<p>"Ensuring the same excellence is upheld when translated to other countries"</p> <p>"Balancing global standards with local needs"</p> <p>"Amalgamation of process between operating divisions"</p> <p>"Ensuring centre can deliver to (high) expectations of business of a "Centre of Excellence"</p>			
5. Role drift: local-central boundaries, COE versus local HRBP authorities	10%	7%	9%
<p>"Interface between Experts and Business Partners is sometimes unclear"</p> <p>"Over reliance of business partners on central expertise (e.g. ER skills and knowledge)"</p> <p>"Some resistance to giving up local initiatives to be done by central team e.g. recruitment"</p> <p>"Balancing the resources needed for "corporate" working versus specific functional needs"</p> <p>"There is always tension between one standard practice and bespoke requests for every different business area"</p>			
6. Innovativeness: Level of proactivity and exploitation of knowledge	8%	7%	8%
<p>"Creating a flexible model fit for an organisation of c.1000"</p> <p>"Exploiting knowledge sharing across the organisation"</p>			
7. Communication: with other elements of the HR delivery model	5%	10%	7%
<p>"Communication between other HR functions"</p>			
8. Expertise blend: maintenance of generalist HR and business model knowledge	22%	3%	16%
<p>"Over reliance on staff who are deemed to be the "experts""</p> <p>"Tension between group wide centres of excellence and the need for business unit specific experts"</p>			
9. Division of Labour: within small teams	2%	0%	1%
<p>"Division of labour expertise"</p>			

Table 3. Implementation Issues with COEs

Table 4, examining implementation issues associated with Service Centres, is based on 122 qualitative comments. Some of the findings are quite stark. The issue of provider performance (reliability, skills levels, insight into business culture, quality of communication) has shot up in prevalence – 50% of reported implementation issues now concern this. User behaviour, quality assurance and service responsiveness continue to present problems. The issue of attractiveness to staff has become a little more important, whilst problems associated with the technology and systems performance or the optimisation of HR processes have become less prevalent.

SERVICE CENTRE IMPLEMENTATION ISSUES	% 2008	% 2009	% 08/09
1. Provider performance: reliability, skills levels, insight into business culture, quality of communications	27%	50%	34%
<p>"Constant errors due to lack of attention to detail"</p> <p>"Ownership/accountability vs following process"</p> <p>"Knowledge transfer in the relocation of service centres from one country to another"</p> <p>"Getting service centre staff to be fully conversant with a wide breadth of HR issues"</p>			
2. Expectations: Points of entry, loss of face-to-face contact, depersonalisation of service	15%	8%	12%
<p>"The standardisation required removes any move for the personal touch often favoured by line management"</p> <p>"The business needs to recognise the importance of managers managing people effectively and not divest itself of accountability"</p>			
3. User behaviour: self service take up, narrow advice lines	11%	8%	10%
<p>"Getting managers to use Service centre process, versus contacting somebody they know in the service centre via local network"</p>			
4. Quality assurance: Service levels, fragmentation of service across business units and regions	7%	13%	9%
<p>"Service centre provision fragmented across business units"</p> <p>"Uncertainty about level of service at regional locations"</p> <p>"Tracking and monitoring services required by our internal customers"</p> <p>"Getting excellence all the time"</p>			
5. Staff attractiveness: staff turnover, boring careers	6%	13%	8%
<p>"HR team have a reluctance to take on only transactional work"</p>			
6. Responsiveness: Needs met and speed of response	6%	8%	7%
<p>"Loss of responsiveness to new/urgent issues (which looks like lack of commitment)"</p> <p>"Sometimes limited flexibility to act quickly & creatively"</p>			
7. Technology and systems performance	9%	3%	7%
<p>"To work successfully it is reliant on a good HRIS system"</p>			

8. Optimisation or Standardisation of HR process redesign	9%	0%	6%
<p>"Balancing control & standardisation with the need to also flex to the internal customer needs. This often clashes"</p> <p>"Alignment of existing policies and new systems"</p>			
9. Return on Investment: scale, costs versus efficiency, operational efficiency	9%	0%	6%
<p>"Time taken to embed and settle in 'reduced cost' better efficiency model"</p> <p>"How to identify 'the basics' and then prioritise areas for improvement (operational efficiency) "</p> <p>"What, and how far to go - making economies of scale versus HR and line people development"</p>			
10. Service mix: Delivery across multiple media channels	1%	0%	1%
<p>Challenge of providing huge array of services, consistently and well to large and diverse customer base, via variety of media"</p>			
11. Data analytics: exploitation of data	1%	0%	1%
<p>"Using the vast amount of data and Management Information we can now generate/have access to in an intelligent way to proactively add value back into the organisation"</p>			

Table 4. Implementation Issues with Service Centres

3.3 The lessons to be learned across all our data

Looking back across all our data so far – our ongoing research interviews into HR strategy, the internal workshops run with HR teams implementing new delivery models, the quantitative survey data linking elements of HR structure with perceived value, and the qualitative data examining the implementation issues faced over time with each of the main 'boxes' of an Ulrich model – we draw attention to a number of key learning points about changing HR delivery models (see Table 5).

Learning Point	Illustrative Quotation
<p>a. “outside – in”, not “inside – out”</p> <p>(the need to look outwards first and develop a clear understanding of the client’s requirements before attempting to impose any preconceived ideas or ‘off the shelf’ HR solutions).</p>	<p>“In HR we have a view that says it’s the HR model that dictates it rather than – not even our internal customer, but our external customer. If our values are about value to the customer, what therefore is the HR model that supports that?”</p>
<p>b. “Don’t run before you can walk”</p> <p>Example: Incumbents in the Business Partner role have often transitioned from a more traditional HR Manager role, and may not be fully equipped – or resourced – to deliver a truly ‘strategic’ service to the line at first. This may require a transitional step in the plan.</p>	<p>“BPs have got two accountabilities: one is to articulate what the people requirements are in this division, as they will vary from one division to another, and the second is to deliver that, so there is added value. Over time, they should then start to earn their spurs to have a more strategic discussion about the organisation architecture.”</p>
<p>c. Don’t forget the “how” as well as the “what”</p> <p>Either as a short-term measure, or (increasingly likely) as a permanent structural feature, HR departments are establishing an additional element of “operational execution” to the delivery model. This frees up BPs to operate more in the strategic space.</p>	<p>“...Strategic business partners in theory should be talking about strategic issues, but the reality is that line managers want an HR Manager who’ll actually do stuff for them. The BPs are up against the demands of their business who are asking for by and large a transactional service or centre of expertise advice, the old HR manager role”</p>
<p>d. “It takes two to tango”</p> <p>The HR delivery model stands or falls to a degree on the extent to which line managers ‘partner’ in the people task, and the ‘seat at the table’ problem so often discussed in relation to the senior HR person in the organisation applies equally to other parts of the function.</p>	<p>“...We have had the challenge from one manager that we have too many high grade people in HR. They don’t perceive that there’s value in having people in a function to support them. They think HR is a necessary evil, we don’t have to put quality into it.”</p>

<p>e. “The devil is in the detail”</p> <p>Co-ordination of activities between the main elements of the delivery model, especially in the early stages, is one of the more complex elements to get right.</p>	<p>“Sometimes when you’re sat in a C of E, and you’ve got BPs prattling on about things that they don’t know anything about, they can be a complete nuisance, And if the BP gets a C of E walking into their bit of the business, and that suddenly takes the conversation with their business managers to a completely different level than they (the BPs) aren’t capable of handling, then they feel desperately undermined by their function”</p>
<p>f. “what do they know about what we do?”</p> <p>The business knowledge of HR staff working in any part of the HR structure can be a key risk to its effectiveness, especially when implementation of the structure entails bringing people in from the outside or outsourcing to an external provider.</p>	<p>“Where I do have a problem, you have a new BP in, what are you doing to make sure that person is strategically capable of engaging in that business and translating industry specific issues into corporate HR capability? Where’s the process to deal with that? Where do we capture the concerns of the business?”</p>

Table 5. The lessons to be drawn from implementation experiences

4. Successful implementation of HR structures

Having outlined the various implementation issues that can be faced, and the lessons to be drawn from this implementation experience, it is important to note that there are examples of the principles of the “three legged stool” being implemented successfully in large organisations. We will now review two cases and consider what it was that made them successful.

The Nestlé Global HR Experience

From an organisational design perspective Nestlé is a matrix organisation, it splits the globe into three zones with respective reporting hierarchies; Zone AOA – Africa Oceania and Asia, Zone Americas – North and South America and Zone Europe – Central and eastern Europe, with majority of its businesses organised within this structure, however it also has a number of businesses with global structures such as Nestlé Water and Nestlé Nutrition.

Nestlé HR organisation at a macro level is a classic three box model; however, to take into account the complexity of the structure above and the complexity added by operating within the global footprint of 84 countries it has a series of three box models within a three box model.

To try to explain this let’s take each box:

Shared Services or Centres of Scale.

Some of Nestlé shared services operate globally within a structure called Nestlé Business Services, Payroll would be a good example of this. Some at a Zone level or local (market) level such as personal administration.

Centres of Expertise

The Centres tend to be organised at a local or regional level but are coordinated globally.

Operational HR

HR Business Partners are organised locally but are coordinated through the hierarchy, so are coordinated either by zone or globally dependant on the organisation.

This model may sound complex but is based on some specific design principles to ensure the model is implemented in a flexible manner according to Market’s size, complexity and structure. This maintains a lean and efficient HR organisation.

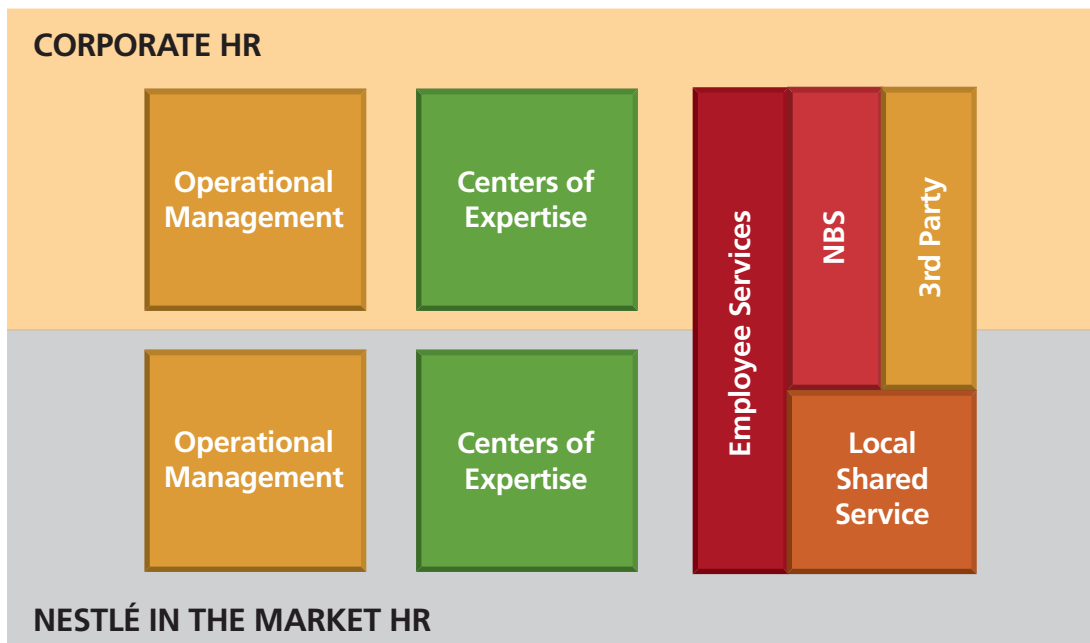


Figure 3. Nestlé macro HR organisational model

The key design principles are:

- To be consistent and simple where there is no competitive advantage in being different and complex.
- People management is a managerial responsibility
- Maximum amount of information is available at lowest possible level.
- Local HR Strategy sits with Operational HR Managers and is developed in conjunction with the relevant corporate Strategy and Market/Business HR.
- Business/Operational Units Heads and Factory/DC Managers do not necessarily need to have a dedicated HR Manager. The decision on the nature and organisation of these resources should be taken according to size, complexity and geographic location of the concerned Units and Sites.
- Employee Services and HR Centres of Expertise are centralised and provide service to all Businesses operating in a Market - unless by exception it makes sense for them to be localised.
- Where NBS (Nestlé Business Services) organisation operates, it is independent from any particular business in the Market and must offer competitive advantage with regard to alternative providers.

Underpinning this are global development programmes that ensure a consistent level of capability.

Vodafone's "three – box model"

Vodafone has experienced remarkable growth having become the world's leading mobile telecommunications company within 25 years. In the financial year ending 2008/09, the company reported revenue of £41.0 billion, a 15.6% increase over the previous financial year. Its proportionate customer base stood at 303 million, again an increase of c. 25% over the previous year. During this rapid rise it has moved from being a conglomerate of acquisitions towards the formation of a singular identity – that of "One Vodafone."

Vodafone realises that their business is highly people dependent. They have invested huge time and resources in understanding their employees and have found different segments within their workforce. These segments have different hygiene and motivating factors and Vodafone endeavours to have its HR policies in term of engagement, reward, and career in sync with such segments.

The Europe region has a turnover of around €28bn, 50,000 people and 9 operating companies, one of which is the UK.

Within each of the operating companies Vodafone has moved toward a three box model. There is an HR Director in each of the operating companies, and each operating area has a centre of expertise, with an OD person, a reward person and so on, then generalist HR practitioners, called business partners, to deliver the end to end HR service to whatever the customer base looks like. Interfaces are split to like skill sets. The BPs are "man marking" the key people managers in those businesses. As the HR Director says:

'... Within each of our business areas from Commercial to Technical we have a HR Business Partner presence . The role of our HR Centres of Expertise is two-fold. They must ensure the health of our policies and practices within their domain area, but they must equally be heavily involved in execution of these processes in conjunction with the HR Business Partner teams.'

Vodafone have established the service – profit chain philosophy as a core part of their operating culture; for Vodafone customers there are 9 things employees need to get right, the so-called "customer touch points". Precisely the same philosophy was transferred to HR service: HR defined 6 "employee touchpoints" which correspond quite well to the classic areas of HR. Organisation, resourcing, career planning, learning, reward and recognition, communication, and involvement, and health, safety and wellbeing.

The HR BP is a prime interface with a leadership team and the C of E never interacts with that customer without the full knowledge and buy in of the BP. Part of the role of the European HR Director is to create an annual agenda; every year, each HR Director will work with the FD and CEO to develop their budget and planning locally:

' On an annual basis we get the Operating Company HR Director's together with the Centres of Expertise to discuss and debate in internal and external factors which will drive the people agenda for the coming year. During the session we jointly prioritise and plan the initiative list for the year. It is a very powerful way of creating mutual buy-in and a shared agenda'

5. Responding to the Questions

The real skill is in aligning and balancing how the three main legs of the “stool” are integrated with each other. It is important to understand that this logic is often beyond the formal structure, that you need a very good business minded HR team designing a structure that truly reflects the needs of the business model and the line managers within that model.

There exists the strong possibility that some HR leaders have made an over simplistic interpretation of the implications of “HR Champions” and not thought through in enough depth what are the many implications of moving to a 3-Box Model

At the beginning of the White Paper we outlined a series of issues and questions, from our research, that have been a source of dissonance, in recent times, regarding the design of HR delivery systems. It is incumbent upon us to respond at this point to those issues and questions. The sources that we draw upon for our responses are drawn from our research, but also from discussions that we have held, both at an individual and group level with the practitioner members of CPHR. Nearly all those members are acutely aware of the need to get HR delivery systems “right” and therefore our discussions have been quite intense at times, but always informative.

Those responses are outlined below:

Issue 1 The specifics of the design are inappropriate to the organisation’s need

A key part of the response is derived from the Centre’s earlier White Paper “*Reversing the arrow: using the business model change to tie HR into strategy*” where we discovered that one of the key requirements that HR must meet if the function wanted to play a major role in business model adaption/change was to ensure that the HR structure (specifically the 3-Box Model) delivered effective service to all employees.

“Overall we seemed to be witnessing some advocacy for thinking through carefully whether an introduction of the 3-Box Model structure would enable HR to lead and support the business model. Does it fit what HR aspires to?”

However we would also argue that the real skill is in aligning and balancing how the three main legs of the “stool” are integrated with each other. It is important to understand that this logic is often beyond the formal structure, that you need a very good business minded HR team designing a structure that truly reflects the needs of the business model and the line managers within that model. This ability to optimally integrate is about the HR senior team being truly “fit for purpose”.

Issue 2 The architects plans have simply been read and misunderstood

With regard to this issue there exists the strong possibility that some HR leaders have made an over simplistic interpretation of the implications of “HR Champions” and not thought through in enough depth what are the many implications of moving to a 3-Box Model including the balance of responsibilities, the integration issues referred to above, the quality of staff required, the in-house or outsource possibilities and any global or international issues.

Issue 3 HR structures hijacked by cost-cutting or work simplification

Suffice to say that we are aware of situations where shortsightedness has impeded the successful implementation of HR delivery change programmes. During a period of recession, for instance HR leaders need to carefully estimate the costs of any restructure and make judgements about the availability of investment funding for the duration of the project.

Issue 4 HR team capability

As revealed by the research data outlined in section 3 there is a strong consensus that major concerns exist with regard to HR capability and the successful implementation of HR delivery systems. The concerns with regard to capability tend to focus upon lack of business acumen, the up-skilling potential of the HR team, cultural insight and relational skills.

In one of the chapters of the book *Leading HR*, authored by centre members, we focus upon two interrelated issues at play here, namely the mindset and the power position of the HR leader.

Exploring the mindset factor first, we believe that to successfully introduce and operate a 3-Box Model, particularly in terms of business aware, strategically minded Business Partners, HR leaders will need to replenish their cadre of Business Partners and centre of excellence members with some existing HR team members departing and “new blood” being recruited. We believe some HR leaders find such a “clinical” process difficult and therefore “mend and make do”. To overcome this reluctance the HR leader will need to possess a strong drive to really improve quality-what we term an “Excellence Mindset”

Possessing the mindset may not be enough, however, as replenishing will require budget. Thus if the HR leader is part of a “Golden Triangle”¹⁸ then it is more likely that they will be able to lever the power and influence to champion any temporary budget increase.

Issues 5 and 6 Unsuitable organisational culture and unreceptive client managers

Put very simply our research tends to indicate that the 3-Box model does not suit all cultures. In some cultures the concept of the STRATEGIC Business Partner would be beyond the conception of the most powerful line managers. This may be where HR is far from Golden Triangle membership and, like it or not, is seen as the “hire, fire, and train” function. Very technically based companies may be resistant to a customer service perspective and find it difficult to relate to Ulrich’s perception of value.

Issue 7 Line Indifference and Resistance to HR restructuring

In terms of delivery, HR would appear to be in quite a difficult position at present within organisations. In order to respond strategically to the recession HR clearly needs a well-oiled strategically informed and high influence delivery model. Our research indicates that it is clear that going into the recession many HR models were in need of refinement. The recession may well make the implementation problems more problematic as energy is directed at recession solving problems and not on the necessary relationships and networking with client line managers that tie a 3-Box Model together and make it work effectively. Also if line managers sensed that, in the present climate, HR saw its delivery model as a strategic priority, in these difficult times, then they may write off HR as a serious partner. We suggest that HR Directors will need to put their energy into correcting and re-balancing the model by stealth!

6. Concluding Thoughts

It may be useful to conceive of a spectrum of states of readiness, HR leaders need to avoid or navigate successfully what we term Fatal Flaws. Our research indicates the crucial importance in terms of the long-term success of HR delivery systems being linked to effective Relationships, Networks and Influence in terms of both within and outside of the HR function.

At present there appears to be a plethora of research projects and indeed, practitioner reviews, into the effectiveness of HR delivery systems with a very focused emphasis upon the 3-Box Model. In this final section we thought it appropriate to highlight some of the key factors relevant to the debate that have particularly caught our attention.

1. We are aware, and need to note, that David Ulrich has, in recent times, been advocating a **five part HR structure** for “value delivery and creation of capabilities”. In essence there are two premises to his proposition; the first, that HR’s structure should mirror the organisation to which it relates; and second that the work of HR should be divided into 5 roles and responsibilities:
 - a. **Transactional work** through service centres, e-HR and outsourcing
 - b. **Corporate HR** (aligning HR activity to business goals and ensuring consistency of culture and processes)
 - c. **Embedded HR** (working directly with the line managers and leadership team of an organisation unit)
 - d. **Centres of Excellence/Expertise** (which can be similar to specialised consulting firms within the organisation)
 - e. **Operational Executors** (providing the capacity to deliver and implement the ideas from the centre while maintaining focus on the business and its customers)

This 5-component structure does often, in our experience, reflect the reality of HR delivery systems in larger organisations and it is to Ulrich’s credit that he has publicly acknowledged this fact.

2. Time after time HR practitioners refer to “Ulrich’s 3-Box Model” and bestow upon Professor Ulrich and the 1997 book the legacy of being the launch pad for the 3-Box Model. This is a puzzle as we believe that **HR structures that closely conform to the 3-Box Model pre-date “HR Champions”**.

The experience of one of our centre partners supports this view. In 1990 one of the largest divisions (25,000 plus employees) of that partner company appointed a new, externally sourced, HR Director who introduced a new HR structure, linked to a 30% reduction in the then “personnel” employee numbers. That structure involved a break, first of all, with the tradition and culture of the majority of the HR team being housed in the established Personnel buildings and moved to a structure with three components:

- HR Advisors-co-located with their operational line clients. Many of the Advisors were externally recruited and were selected for business and strategic awareness.
- Divisional Experts, nearly all externally recruited and operating in areas such as resourcing, learning and development, employee communications, reward and employment policies.
- A substantially enhanced HR IT capability, based upon a new system, with a team focused upon managing the core “HR processes”

Clearly this experience was not unique and we can assume that other organisations, at this time were moving their HR structures to a very similar pattern as described above. By 1990 3 boxes were emerging inexorably within HR, driven by, for instance, the emergence of comprehensive HR IT systems via providers such as PeopleSoft (PeopleSoft version 1 was released in the late 1980s). The spread of a “HR” philosophy as against a “Personnel” approach also emerged in the late 80s—these forces pre-date the publication of *HR Champions*.

What is important to recognise, in our view, is the real contribution David Ulrich has made to HR practice. His writing and teaching has continually provided a clear insight into the different roles that HR can play, with a particular emphasis on that role being business strategic in nature. Matt Stripe a HR VP at Nestle believes:

“Ulrich created a scenario that a lot of HR people wanted to follow, which was around a strategic contribution that people, the function could play and the journey that it could go on. I think that is what HR people have signed on to.”

3. In our discussions with our centre partners we often find ourselves drawn to the issue of the **Optimum HR Structure Model**. In essence, the core of the debate concerns the following question; when operating a 3 or 4 (or 5)-Box Model, does duplication of responsibility exist between Business Partners and Experts, where, and does this matter? This duplication may be particularly marked in activities such as Organisation Development/Design and Talent Management.

The Optimum Model?

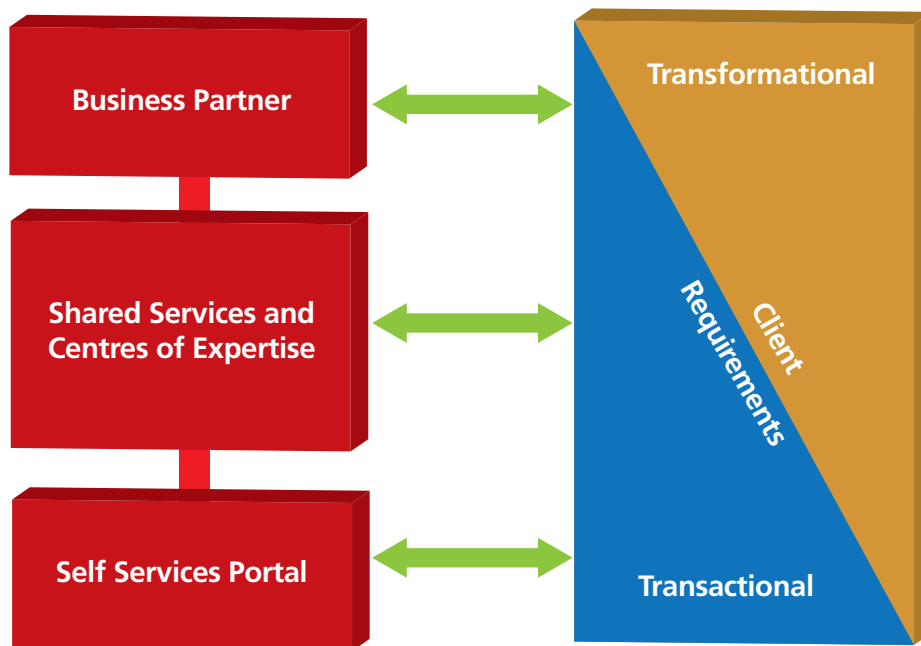


Figure 4: The Optimum HR Delivery Model © Matt Stripe, 2009

Is the “ideal type” model as follows, as suggested by Matt Stripe. Organisations run with top quality Business Partners who are able to coach their colleagues in the senior team, as well as playing a full role in business decision-making, possessing particular skills (such as employee relations if working in a heavily operational environment) but utilising within the HR team other heavyweight centrally-based experts in areas such as Organisation Design and Development or Talent, as and when required?

However if the Business Partners, in a particular organisation are, as advocated by Ulrich, in possession of a level of “mastery” in, for instance Organisation Design and Development, is it more rational to omit a central OD expert unit and, if one extends this thread of logic, appoint lower-key HR professionals into central expert (or advisor) roles?

We believe that the “optimisation” issue requires careful thought by HR leaders, not least because duplication of expertise could unnecessarily increase costs within the HR function as well as potentially lead to ongoing conflict. We suspect that the duplication issue may be most pointed in the area of Organisation Design and Development, due to the reality that mastery of OD is a crucial element in the Business Partner tool-kit. Matt Stripe advocates:

“...I’ve never been convinced that you can have a team of central Organisation design specialists. If the role of the HR Director is to operate in a “Golden Triangle” with the Managing Director and the Finance Director, acting as a key counsel to both, and, playing a strategic role, in for instance, business model change, then they must lead in OD, That’s possibly their major individual contribution to the business strategy”

4. When evaluating the likely chances of success of changing HR delivery systems within a particular organisation we need to bear in mind that organisation’s **state of readiness** for a new HR structure, particularly 3-Box Model, carrying with it the notion of strategic Business Partners and potentially an outsourced Shared Service, is a major factor.

Thus it may be useful to conceive of a spectrum of states of readiness, with the likely outcome of failure of implementation in those companies with a low state of readiness and with one able to take a more optimistic stance with regard to those with a high state of readiness.

The Spectrum of States of Readiness

The characteristics of companies at either end of the spectrum are fairly self-evident but would certainly include:

LOW:

- Traditional model of HR
- HR responsible for the bulk of “people” and transactional issues
- Line has low expectations of HR added value
- Cost efficiency the rationale for HR change
- No “Golden Triangle” membership for the HR leader

HIGH:

- A company where the service-profit chain is embedded
- HR leader a major contributor at strategic level
- CEO places a high valuation on HR
- Line authentically people oriented
- Legacy of a high quality HR team

5. Our research indicates the crucial importance in terms of the long-term success of HR delivery systems being linked to effective **Relationships, Networks and Influence** in terms of both within and outside of the HR function. Thus the balance of relationships between the three main components of the HR structure need to be optimised and maintained carefully. This is certainly the case in terms of Business Partner/ Expert relationships. These positive or otherwise relationships will often be based on good personality “fits” so HR Directors need to be alert when influential job-holders depart their function as the positive balance may erode.

6. Our final concluding point is a warning the need for HR leaders avoiding or navigating successfully what we term **Fatal Flaws**. One fatal flaw that emerges, when we look at our data on the implementation problems faced, is that we believe it is possible that there is a double capability problem that is making implementation currently very difficult: not only is the capability of the Business Partner in question, the capability of the line to use the Business Partner appropriately can be questioned. The line behaviour problem is not just one of education-it might be a fatal flaw in the model in that they will always need to have low-level transactional solutions, but solutions provided by an individual HR person and not a service centre.

Linked to point 5 above the second fatal flaw might be that the key to success is not having the boxes per se but in having a clear logic of how the boxes must be joined together and how they are used interdependently. This "way of working" is very dependent not just on the formal structure, but on the networks of connections and relationships that key players inside and on top of the boxes have. Historically these networks (often held by a handful of key players) help glue the system together, handle the problems of power and influence, and help solve the difficult issues that sit between boxes.

Fatal flaws are design faults that are accidents waiting to happen-a subtle set of events can disrupt the networks and power and knowledge that have made the model work in the past. The recession might be this accident-as attention gets distracted (understandably) from managing the health of your delivery model to managing the consequences of the recession. A possible outcome of these distracting pressures is the emergence of "sick" HR Delivery Systems. The problem is one of reputation-once the model gets sick, the line will lose belief in it and it might take years to repair the reputation hit.

As a final observation, however, we would point out that all design faults can be fine-tuned and hopefully corrected before they wreak real damage. HR leaders need to work on surfacing the key networks and power relationships that currently make it work and surface the design intelligence of the key players that currently (and in the future) helps to tie the boxes together and keeps the system healthy.

Endnotes

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- 17 For each of the three reported types of value – upstream, downstream and cross-organisational, a stepwise linear regression was run entering variables in the following order. In the first step, the measure of Ulrich 3 box maturity was entered. In the second step, the HR blockers (perceptions of reactive HR and low level of internal HR transformation) were entered. In the third step, two important positive HR characteristics were entered: HR's level of insight into the business model and HR business capability. Finally, in the fourth step, the level of line insight into the business model was entered. The results are show that the presence of an Ulrich structure is insignificant (it explains 3.6% of variance in upstream value). However, a significant amount of variance ($r^2 = 19\%$, $F=8.215$, $p<.001$) is explained by the HR blockers. The positive HR enablers (HR business capability and HR insight into the business model) explain another significant amount of variance ($r^2=15.1\%$, $F=7.761$, $p<.001$). Once these factors have been entered, then an insignificant amount of extra variance is explained by the level of line insight into the business model.
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Notes

Notes

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