The HR function post-Ulrich's structural model

IES Perspectives on HR 2017

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'No model is perfect. You have to be an optimist and make sure the model works for you.'

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(Wang Jing, HR Vice President China Operations Shell,
cited in Reilly and Williams, 2012)

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Introduction

In the 2011 edition of this report series, we looked at Ulrich in terms of the role of HR and, in that context, its service delivery model (Reilly, 2011). This time, we examine how robust we think the Ulrich structural model will be for the future, taking account of the changing environment as well as criticisms of the model.

A first point to make is that the deployment of the model is not as widespread as you would think, given the level of HR media commentary and attention it receives; its use is limited to large, complex organisations. Then, we should note that almost from the beginning there has been adaptation rather than the straight adoption of the model. Separating 'transformational' from transactional and creating three 'legs', made internal communication more difficult and contact for customers potentially challenging. The apparent assumption that managers would become self-sufficient in people management terms led to a hole in the middle of its framework where operational HR support should be (the 'polo problem' (Reilly and Williams, 2006). So, adaptations have sought to plug the hole with centralised contact centres, mobile caseworkers and junior business partners. There have been enhancements to the model recognising the need for greater internal oversight or governance, but there is also an execution theme in ensuring the policies developed by experts actually get delivered (through, for example, the employment of consultancy teams), a point acknowledged by Ulrich himself:

> *'Too often, HR professionals in centres of expertise offer insight and menus of choice, but they do not facilitate or act as partners in the operational implementation of these ideas. Service centres deal with administrative challenges, but they do not deal with implementation of new administrative systems and practices at the business level.'*

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(Ulrich, 2007)

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The essence of the 'Ulrich' structure has proved to be very resilient perhaps because of its evident cost and service attractions. The remarkably few formal alternatives proposed are perhaps not as radical as they claim to be. Kates' idea of 'solution centres' (Kates, 2006) in the middle, between business partners and Centres of Excellence (COEs) - a team of HR specialists responsible for the delivery of programmes developed by the COEs - looks to us just like another attempt to improve HR delivery and not that different from the other structural fiddling described earlier. Charan (2014) suggested splitting HR into two 'strands': one focused on administration and one concentrated 'on improving the people capabilities of the business', but this seems destined to continue the fragmentation of HR's efforts.

More noteworthy, perhaps, have been those organisations that have removed the business partner role or severely pruned their numbers (Reilly, 2015). This might be to cut costs; to focus resources on operational support; or from recognition that, in their organisation, few in HR beyond the director have a chance to make a proper strategic contribution.

A final, and perhaps most interesting, proposal comes from a group of young French HR professionals (Bevan, 2016). They talk of creating a 'Three Thirds' framework with specialists and strategic consultants (similar to now), but with a third of the function as 'geeks' – non-traditional, data scientists and analysts who exercise a diagnostic role and hold a brief to improve organisational performance. Whilst many HR functions are adding HR analytical capability (Reilly, 2015a) what the young French HR professionals are doing is seeing these analysts as the principal drivers for change; it is a data-centric view of the power to push the organisation forward (Bevan, 2016).

We are arguing that, whilst there have been adjustments to the Ulrich structural model, to date there has been only limited fundamental re-casting. Next, we ask whether there are upcoming environmental issues that might have a greater impact?

Potential influencers

Impact of technology

Technological change helped facilitate the arrival of the three-legged stool and has done much to make HR more efficient through better data capture, e-enabled processes, workflow systems and self-service methods. The next generation of technology, through the use of apps and robotic process-automation, might be expected to further reduce transactions and speed up processes, allowing HR to be able to concentrate more on what the data say and less on their management or manipulation.

Customer focus

We wonder whether there will be a backlash against the prioritisation of HR functional cost-reduction over customer needs, especially with respect to shared service functions. Stripped of their mundane duties and facing a more demanding management audience, will the next generation of shared service centres be judged on their ability to deal with more challenging tasks — will effectiveness not efficiency be king?

Changes to workforce composition

Another driver for change might be the growing diversity of the workforce. This is not just the well-worn challenge of ethnic mix, but also lifestyle differences and a variety of

expectations, with some seeking to optimise work/life balance while others seek meaning from work. The 9 to 5, Monday to Friday employee will become even more of a minority[1]. Moreover, just as managers may become increasingly impatient with any signs of a ponderous HR, so employees will increasingly expect instant responses delivered in tech savvy ways.

In a media goldfish bowl

As recent scandals have shown, organisations may now be tried faster and more severely in the court of public opinion than in the courts of law. Moreover, the latest generation of workforce recruits may further pressurise organisations to spend more time and effort on governance issues with an increased sensitivity to external opinion.

Young HR professionals see HR as playing a role as the organisation's ethical conscience or moral compass (Bevan, 2016a), which would provide the function with an opportunity but also a real test of HR's mettle.

Labour market context

One issue that is hard to judge is the state of the UK labour market in the next few years. Brexit has confused matters, and risks reducing the ability of the country to flex resources as needed. The assumption is that technology will mean we will need far fewer jobs. But we have heard that before, and whilst the number of manual jobs has reduced, other work has arrived and, rather than entering a period of extended leisure, some find themselves working longer hours in a longer career.

In the so-called gig economy, the task and the person to perform it are brought together just long enough for the activity to be completed. So at one end of the spectrum will be those operating in the use and throwaway economy, whilst at the other end, scarce people with specific talent or skills will be nurtured by companies seeking to protect their investment in human capital (read more on this topic in Wendy Hirsh's chapter in this report).

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[1] Even at the turn of the century those on full-time regular contracts with fixed weekly hours formed a minority of the workforce (see Reilly, 2000). Also, read more on new forms of work in Penny Tamkin's chapter in this report.

Straws in the wind

The messages above seem to be that HR must be increasingly flexible and responsive; technologically savvy; customer-aware in a more profound sense than before; and sensitive to what is going on inside and outside the organisation, with quality workforce intelligence taking advantage of analytics to make an organisational impact.

At a structural level, it suggests further weakening of the role of transactional shared services but a strengthening of customer engagement and, if affordable, a further ramping-up of the business-partner model so that they deliver the kind of strategic inputs executives are demanding. The requirement for managers to improve their people management skills, evolving from old-school command and control to a more engaging and involving style, will not abate. The question still then remains what degree of support will be expected from HR to ensure this happens.

Other pointers for change come from Lucy Adams, former HR Director at the BBC. In a blog she offered 'five trends in HR org design' (Adams, 2016) in the context of replacing 'Ulrich'. These are:

- From business partner to account management

- HR advisory – more than a transaction

- Employee experience not centres of expertise

- Building capability not just compliance

- Contingent vs permanent.

From business partner to account manager

The first of these trends has been seen before: many of the earliest examples of business partners regarded themselves as account managers who acted as facilitators operating in the space between line-customers and the rest of HR. Kates' (2006) client relationship managers hold a similar role.

This model is attractive but dependent on the diagnostic skills of the Account Manager, their HR understanding (which Absa (cited in Reilly and Williams, 2006) found lacking) and on the responsiveness of the rest of the function to the issues raised. More fundamentally, it goes against the wishes of customers to have a dedicated professional one-stop-shop source of help, not conduits to other service providers (Carter et al, 2011).

More than transaction

The second of these trends is the recognition that casework management is more than simply a transactional service; we have already covered this earlier in describing the responses to the gap in providing line manager support.

Employee experience not 'centres of expertise'

As the boxed example shows, this is again not a new idea but it is one with considerable merit and which is too rarely introduced. It takes shared services back to Ulrich's original conception of the 'user as the chooser' (Ulrich, 1995). In practice, cost reduction dominated the design of the structure and customer needs were subordinated to efficiency. One positive sign, as Adams points out, is the appointment of non-HR people to management roles in shared services centres to bring a customer perspective. Other companies have retitled their delivery arm 'People Services' to mark this kind of change of mindset.

> In 2008 Aegon UK introduced a new model of HR shared services to 'ensure we build an operation which puts the customer at the heart of what we do'. Described by the company as a 'technology-enabled model' (Mallin, 2009), services were provided on a cross-functional and integrated basis at key points in staff employment, such as the 'new start process' and events like transfer, promotion or exit.

Building capability not compliance

See our 2011 Perspectives article (Reilly, 2011) on the changing role of HR away from a 'prop and (especially) cop' positioning for a detailed discussion.

Contingent versus permanent resources

Williams and I have argued (Reilly and Williams, 2006) that the staffing of centres of expertise should be flexed between internal and external capability in a way that balances workload and expertise. Adams takes this further through a 'Smart Contingency' approach by creating 'an eco-system of a mix of contingent HR capabilities …' (Adams, 2016). Economic uncertainty will further challenge how much HR activity needs to be resourced all year round through the core HR team, and how much HR input can be called off from outside the firm in areas such as reward, talent and succession planning and even strategic workforce planning.

> Will Exell and LMA Recruitment have launched a partnership that facilitates the 'smart contingency' approach. Their offer combines the traditional interim concept with the benefits of consulting, including quality assurance and expert insight, blurring the distinction between the two. Critically, this is done by meeting the gig economy preference for just-in-time/just-enough resourcing. Experienced HR professionals can be

provided in a more cost-effective manner as needed, rather than being permanently employed. Moreover, this proposition might be attractive to individuals who want to exploit the flexibility of remaining self-employed, working in the time and manner that suits them.

Summary

Despite debate, the fundamentals of the Ulrich model remain in place as it still offers a balance between effectiveness and efficiency, albeit with adaptations. The most important of these appears to be a greater focus on improved delivery, including support to line management on operational issues.

However, trends in technology, customer expectations, and the need to be more agile, faster and responsive have the potential to lead to further and possibly more radical changes. Technology could really sweep away the transactional element of shared services' work. Likewise, expertise may be deployed more on a just-in-time basis with greater use of external consultants. Business partners, if they are unable to offer a genuinely strategic contribution or be 'agents provocateurs'[2], might be dispensed with or severely pruned. Moreover, if managers become increasingly self-reliant and skilled, they may be dissatisfied with low-cost, standardised solutions to increasingly wicked questions.

The chance to exploit the growing amounts of data with software that facilitates easier and higher-quality analysis may offer HR hope of relevance for the future. The skill will then be to cut through the mass of data and deploy insight in such a way that it helps solve business problems whilst avoiding becoming data-obsessed, thereby prioritising the strategic and critical over the urgent but less consequential (Reilly, 2016).

Similarly, HR may need to resist the temptation to extend technology too far into the relationships between managers and staff. Nurturing of high-value talent might become a business necessity especially if those in commoditised roles find themselves in the precariat. Just as with managers, a more personalised service may become a competitive necessity. In dealing with employees, high-touch not high-tech might be the response.

This returns to the argument we made ten years ago (Reilly and Williams, 2006). In the end, the future of the HR function all comes back to the capability of HR and its ability to learn, especially from other functions, on data, customer experience, branding and the like. Structures can change this way or that but it is the quality of the HR staff, their ability to innovate and help the business improve, that is critical.

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[2] As described by Trevor Bromelow, at the time Personnel Director of Siemens Business Services (see Reilly and Williams, 2006)

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More on this topic

To read Peter's 2011 Perspectives article 'Re-structuring HR functions: a new model for HR?' visit: http://www.employment-studies.co.uk/resource/ies-annual-review-hr-year-ahead-2011

Peter's 2015 Perspectives article, 'HR business partners: yes please or no thanks', may also be of interest: http://www.employment-studies.co.uk/resource/hr-business-partners-yes-please-or-no-thanks

To discuss further the Ulrich model, or to find out how the concepts discussed in this chapter can be applied in your own organisation, please contact Peter Reilly, Principal Associate:

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