

FACT SHEET



HR SERVICE DELIVERY MODELS

INTRODUCTION

The SABPP National HRM Standard defines HR Service Delivery as “an influencing and partnering approach in the provision of HR services meeting the needs of the organisation and its employees which enables delivery of organisational goals and targets.”

Objective 11.2.3 of the HR Service Delivery Standard element is: “To support the effective management of the human element in an organisation by means of an effective HR service delivery model and system.”

The design logic of an HR service delivery model should reflect the design logic of the organisation that HR is serving, whilst at the same time applying modern research into important factors which determine the effectiveness of various service delivery models.

This Fact Sheet will look at what a Service Delivery Model is, some drivers for change in these models, key thinking in this field and issues to be considered in designing and implementing your delivery model.



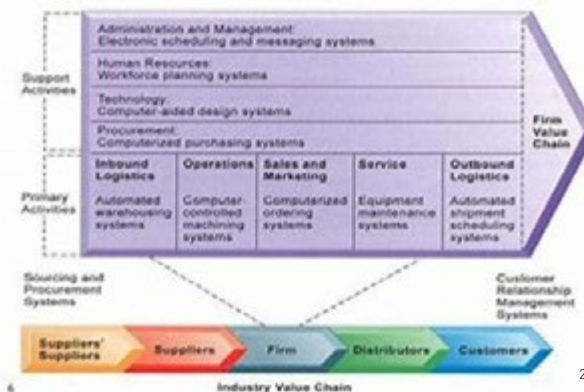
DEFINITION OF SERVICE DELIVERY MODEL

The term 'HR service delivery model' is sometimes considered to be a synonym for 'HR operating model'. However, as explained in the CIPD 2015 research report Changing HR Operating Models¹, an operating model includes more aspects than simply the structure. "HR operating models are also known as HR structure, HR delivery models, HR architecture, HR systems. Here when we use the term HR operating models, we are talking not only about the organisational structure of HR but the roles within that structure, the capabilities required to deliver those roles, the processes within the structure, and the enablers such as technology, governance and measurement."

The scope of a full HR operating model is therefore vast. This Fact Sheet concentrates solely on the channels through which HR presents itself to its internal customers to deliver its services, expressed as an organisational concept with defined roles for the different parts of the structure.

Some HR practitioners are uncomfortable with the concept that HR 'serves', preferring the partnering concept where HR partners with line managers to achieve business objectives. It can be argued, however, that any support function such as HR, Finance, or IT delivers a service to its internal customers. Looking at a classic value chain, as depicted below, these activities support the primary activities of the organisation.

The Business Value Chain Model



A useful result of choosing to term the delivery model as a 'service delivery model' is that HR should then adopt a 'customer-centric' approach, considering the needs of its customers and making sure that customer satisfaction is measured and continuous improvement implemented. An important element of HR Service Delivery is a Service Level Agreement, which would be developed once a service delivery model has been agreed. The March 2016 SABPP Fact Sheet covers Service Level Agreements.

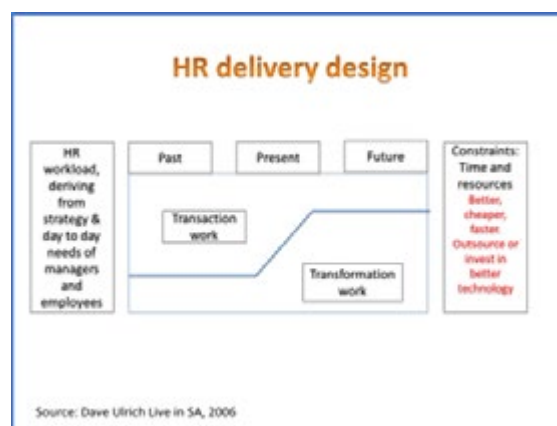
① <https://www.cipd.co.uk/knowledge/strategy/hr/operating-models>

② Retrieved from slideplayer.com <https://www.bing.com/images/search?view=detailV2&ccid=A%2bHB-pDDp&id=704116F2379164818338C3FCB2305D4F69C63982&thid=0IP.A-HBpDDpTYX0uAN2ZPJrsQHafj&mediarurl=https%3a%2f%2fslideplayer.com%2fslide%2f5993527%2f20%2fimages%2f6%2fThe%2b-Business%2bValue%2bChain%2bModel.jpg&exph=720&expw=960&q=business+value+chain&sim-id=608021416386169575&selectedIndex=2&ajaxhist=0>



KEY DRIVERS OF CHANGE IN DESIGNING HR SERVICE DELIVERY MODELS

Organisations have always tried to become more efficient in terms of costs and time – the key elements of productivity. A big driver for many decades has been the availability of technology which can automate the large amount of transactional work that is involved in paying employees and managing employees. More recently, as a different 'world of work' has emerged with social changes and the development of technology beyond automation towards communication, HR is required to contribute towards the transformation of organisations and work. This is illustrated in the figure below, presented by Dave Ulrich in his 2006 lectures in South Africa.



Key features of today's demands on HR service delivery include:

Adaptability

Agility

Proactivity

Responsiveness

These features could be used as an evaluation tool for current or proposed service delivery models, looking at the extent to which the model to be evaluated supports or hinders these features.



THE ULRICH MODEL AND SUBSEQUENT THINKING

Professor Dave Ulrich from the Ross School of Business at the University of Michigan has, since 1997, dominated thinking in the area of human resource management, in particular HR practitioners' roles and competencies. Ulrich's original concept drew attention to four different roles that an HR function needs to play, as shown below.³



Ulrich did not, until very recently, actually propose a service delivery model but this first publication resonated with a slowly emerging trend amongst leading organisations, documented in a 2009 paper by UK academics from the University of Lancaster⁴, to create three differently focused parts of the HR service delivery model. Management consultancies capitalised on this trend and in 1999 Mercer started using the 'three-legged stool' as shown below.



³ Human Resource Champions. D. Ulrich. 1997. Boston: Harvard Business School Press

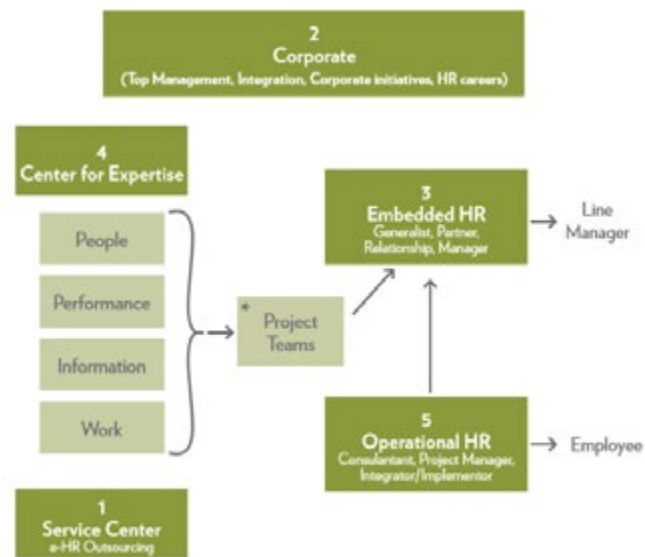
⁴ HR Delivery Systems: Re-engineered or Over Engineered? M. Hird, C. Marsh & P. Sparrow. 2009. CPHR White Paper 09/05. Retrieved from <https://www.lancaster.ac.uk/media/lancaster-university/content-assets/documents/lums/cphr/hrdeliverysystems.pdf>.



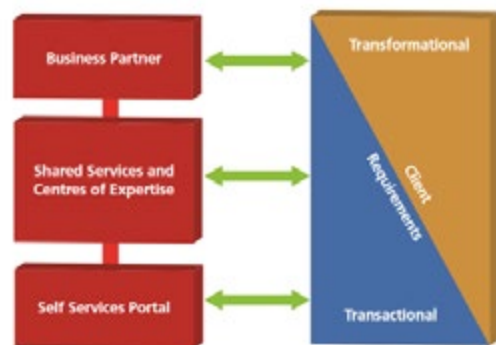
The University of Lancaster authors remark that success in implementing this '3 legged stool' or '3 box' approach depends critically on "the role of line managers and their ability to help employee self-management, legislative constraints around data protection and management, and cultural differences in the relationship between line managers and employees, and employees and HR" and success can vary considerably between countries as well as between organisations

In 2010, Ulrich and colleagues⁵ proposed that an HR function should encompass five roles:

- a. Transactional work through service centres, e-HR and outsourcing;
- b. Corporate HR which aligns HR activity to business goals and ensures consistency of culture and processes;
- c. Embedded HR which works 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 which provide the capacity to deliver and implement the ideas from the centre while maintaining focus on the business and its customers.



Some difficulties encountered in practice in operating a '3 box model' or a '5 box model' include duplication, lack of clarity internally and with customers (managers and employees), territoriality, in-fighting, and lack of appropriate skills. The University of Lancaster authors discuss these difficulties and make reference to the Optimum HR Delivery Model, developed by Matt Stripe, then HR Director of Nestle⁶ which shows how much context matters in designing a delivery model, see on the right:



⁵ https://michiganross.umich.edu/sites/default/files/uploads/RTIA/pdfs/dulrich_wp_arewethereyet.pdf

⁶ Leading HR. P. Sparrow, M. Hird, A. Hesketh & C. Cooper. 2010. Basingstoke: Palgrave Macmillan



This delivery model employs “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.” But if, for example, the organisation needs its business partners to be highly skilled in talent management, organisation development, or employment relations, or performance improvement, then it might make more sense to staff the centre of expertise with lesser skilled support staff (and rename it accordingly).

“...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”.

Matt Stripe
CHRO Nestle

Supporting this difficulty with confining experts to the Centre of Expertise, in the 2015 CIPD report, Alan Boroughs of Orion consultancy reports that his research has shown that success in talent management suffers when the talent management expertise is centralised rather than distributed through Business Partners.

However, research by John Boudreau and Ed Lawler from 2014, also cited in the CIPD report, showed that there is a correlation between positive perception of HR’s strategic contribution and changes such as implementing Centres of Excellence and improving consistency of HR practices across an organisation.

Whatever the chosen model, it is the people who staff it who will make the difference and, in particular, how they are led and how they work together. “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.” (Hird et al., 2009)

One of the important functions of an HR business partner, according to Ulrich and colleagues in a December 2018 blog is as “conduits to the more centralized HR functions about what works, what doesn’t work, and what is missing in terms of HR’s overall support of the business, ensuring that centralized HR groups are focused on solving business problems not generating solutions looking for a problem... In order for an embedded HR role to do strategic work, other roles in HR need to change so there is a place for the transactional work to get done. There is also often a lack of clear accountability and process integration between HR groups (e.g., generalist versus COEs) that leads to confusion and time spent within the function negotiating roles and deliverables instead of adding value.”

7 <https://rbl.net/insights/white-papers/post/building-capability-hr-strategic-partnering>



DEVELOPING YOUR HR SERVICE DELIVERY MODEL

There are several important issues to be considered in deciding on a suitable delivery model.

Mirror the organisation

Questions to be asked include:

- What is the organisational type – across the grid of single business/functional organisation - or diversified/allied organisation – or holding company?
 - A single business model might require a simple functional HR delivery model with a head office function setting policies and generalists across the business to implement these policies. This can work because there is a single business strategy and set of capabilities to be developed.
 - Diversified organisations will have different strategies and capabilities but typically try to create value through synergies between the parts of the organisation. For these organisations, a share service model can be useful.
 - Holding companies operate each of their business independently and have minimal corporate structures. In these companies, it makes sense to develop independent HR functions in each of the businesses.

Ulrich and colleagues⁸ demonstrate this as shown below:



⁸ https://michiganross.umich.edu/sites/default/files/uploads/RTIA/pdfs/dulrich_wp_arewethereyet.pdf



A similar logic is applied in considering centralised or decentralised organisations – the higher the degree of decentralisation, the more independent each business unit's HR functions should be.

Another issue to consider is the propensity of the organisation to utilise outsourced services and flexible staffing. Where extensive use of outsourcing and flexible staffing is the norm in an organisation, the HR delivery model should reflect this also in two ways – firstly, how the HR service is tailored to the needs of employees working on different types of contracts and secondly, how HR structures itself using outsourced services and flexible staffing within its own department. Increasing use of outsourced services requires that HR practitioners develop advanced skills in contract negotiation and management.

Be in step with organisational maturity

An accurate diagnosis of the state of organisational maturity, or state of readiness, for a particular service delivery model is critical. Some characteristics of organisations that are high or low on readiness to successfully implement new HR delivery models are drawn from the University of Lancaster study cited previously and shown below:

LOW READINESS: • 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 READINESS: • 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.

The design of the delivery model must be acceptable to line management and extensive consultation and awareness building might be necessary.

Consider how best to use available HR expertise

As Ulrich and colleagues point out in the 'Are we there yet' paper cited above, professional service firms' business model is about making expertise available to clients. These firms therefore generally organise themselves around knowledge centres staffed with experts and client-facing people whose role it is to diagnose clients' needs and then create a service team comprised of the experts. Ulrich believes that this model is one that HR departments should learn from.

The Bersin by Deloitte High Impact HR 2014 research⁹ cites examples of companies where:

- “HR teams are almost 65% specialists, versus less than 40% for non-optimised teams. The role of ‘generalist’ almost goes away.
- There are ‘networks of expertise’, not ‘centres of expertise’. The specialists such as recruiters or learning advisers, for example, who may be assigned or embedded in the business, are all connected to each other. They know each other and share best practices – using common tools and methodologies wherever possible.
- They have senior-level HR business partners, often operating as ‘VPs of HR’ in the business, with local control. These local leaders partner directly with local line leaders and they orchestrate solutions and serve as consultants.
- They have strong internal technology groups which build common platforms and strong central analytics teams combining compensation analytics, engagement analytics, retention analytics and all the other analytics teams.”

⁹ <https://www2.deloitte.com/global/en/pages/human-capital/articles/high-impact-hr.html>



This type of delivery model design is more attuned to the 'new world of work' where organisational change is rapid and continuous, also to the concepts of the Agile organisation. If HR teams are pulled together to work on a project basis, Service Level Agreements can also reflect the specific needs of that project.

Consider what ICT platforms will be available and what the technology budget for the operating model will be

If one of the delivery model design options depends for success on the availability of certain technology platforms, and the organisation's existing infrastructure and budget do not allow for this, that design option should be ruled out until the infrastructure and budget are available. It is absolutely critical that the technology be available to support a chosen delivery model.

However, the development of cloud-based HR software services, which are affordable even for small to medium sized organisations, should make technology solutions much more accessible to all organisations so that the days of paper-based transactions or multiple Excel spreadsheets become history.

Such developments might bring the possibility of using Artificial Intelligence into the HR transactional services and even into the so-called transformational work of identifying and diagnosing organisational issues.



THE VEXED QUESTION OF HOW MANY HR PEOPLE ARE NEEDED

One of the most frequent questions raised by HR executives to the SABPP is “*what is the right ratio of HR staff to employees*”. This usually emanates from cost cutting and restructuring initiatives where ratios are considered useful to arrive at appropriate staffing structures in various functions. There is no credible research into what, if any, ratio is appropriate. Field experience suggests that an appropriate ratio might be influenced by factors such as:

- Country of operation and therefore legislative and social institutions requirements;
- Geographical spread of the workforce;
- Size of the different units;
- The nature of the business and therefore the workforce;
- Available technology;
- Prevailing relationship between HR and line as to what their respective roles are.

PWC Saratoga benchmarking from the US¹⁰ has traditionally shown an average of 1 HR person at a professional level: 100 employees, and research from the Talent Strategy Group¹¹ shows a similar figure but comments that:

“Benchmarking provides insights to popular practice, not necessarily the right practice for you. Your correct Business Partner number will depend on many unique [our emphasis] factors including:

- Desired level of support: You may choose to place more or less emphasis on the importance of the HRBP role, which would change the ratio. You may choose to place more or less emphasis on the importance of the HRBP role, which would change the ratio.
- Extent of shared services (outsourced or insourced): If you have already, or plan to, shift more transactional work to a shared service model, this will likely increase the HRBP/employee ratio.
- Your desired accountability for managers: Your preference for how independent and accountable managers should be to manage their teams can shift the ratios.”

SABPP data gathered from over 40 HRM audits conducted since 2014 supports the idea that benchmarking should be conducted with great caution. We are in the unique position of being able to compare outcomes (achievements against the HRM Standard) and inputs (numbers of HR staff as a ratio to employees). The results, as shown below, indicate that there is zero correlation – an HR team with a low ratio of HR staff to employees can achieve just as good a result as a large team, and vice versa. The results obtained seem to depend firstly on the organised approach of the HR function (a proper HR strategy aligned with the business strategy; a well-understood and functioning HR structure; appropriate and implemented HR policies) and secondly the standard of leadership of the function. The figure below demonstrates the lack of correlation:

¹⁰ <https://www.pwc.com/us/en/services/hr-management/people-analytics/saratoga-benchmarking-hr-function.html>

¹¹ https://www.talentstrategygroup.com/application/third_party/ckfinder/userfiles/files/HRBP%20Benchmarking%20Report%20-%20Talent%20Strategy%20Group.pdf





Comparative analysis of HR staffing ratios will also encounter the difficulty that different organisations make differing uses of consultants and outsourced providers. Further research into a robust way to quantify resources is needed.

IMPLEMENTING THE CHOSEN DELIVERY MODEL

Once the delivery model has been designed and an appropriate organisation structure put in place, a very clear role description is needed for each position to ensure that the difficulties described in Section 4 of this Fact Sheet are mitigated. It is preferable also to negotiate and finalise the Service Level Agreement with line managers before proceeding to staff the structure and implement the model.

The implementation plan must include any technology purchases, adaptations or implementation which must be aligned time-wise to the implementation of the delivery model.

The CIPD report cited earlier in this Fact Sheet makes the point that the skills of the staff must be matched to the requirements of the operating model. A common problem is an under-estimation of the complexity of the Business Partner role, and people who were previously generalists are moved into the role. A Business Partner in a significant business unit of a complex organisation is probably operating at a Stratified Systems Theory Level of Work 3 and yet often people appointed to the role operate at Level 2 or even 1. This is a major barrier to the achievement of the desired results of changing the HR operating model. One practical implementation method to work around this problem suggested in the CIPD report if sufficient high-level people are not available is to identify the most critical parts of the organisation and ensure that people who operate at a high Level of Work are assigned to the Business Partner role in those parts of the organisation. This could be problematic in terms of assuring the success of the delivery model right across the organisation.

It is critical therefore, to assess HR professional staff in terms of Levels of Work before selection into roles and also before identifying development gaps. If someone is able to operate at the required Level of Work the next step is to identify competency gaps. The SABPP HR Competency Model defines all the required competencies at each Level of Work and is a useful basis to determine competency gaps.



CONCLUSION

It is important that HR functions develop a critical awareness of the level of achievement of their current delivery models in order to ensure continuous improvement. There are some key success factors in implementing any HR delivery model, as outlined in this Fact Sheet. However, as the Hird et al. paper remarks:

“Simply pursuing the structural solution implied by a 3 box model is not a sufficient condition for HR to deliver high perceived upstream [true strategic partnering] 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.”

This same paper argues that the most common result of adopting a new delivery model is partial success, which is usually due to factors such as:

- Adoption of a popular model without consideration of the specific and unique requirements of the organisation;
- Insufficient role clarity of the parts of the delivery model so that line managers and employees perceive the service to be fragmented and possibly duplicated;
- Insufficient attention to the Level of Work and competencies of the HR staff in the new model;
- Insufficient buy-in by line managers as to the value of a new HR model;
- Insufficient skill on the part of line managers to make the required shift to greater responsibility for people issues entailed by the new model;
- Taking the ‘eye off the ball’ as far as ensuring excellence in execution of the basic HR transactional services by prioritising business partnering and centres of expertise over administration support in the business units and a shared services centre.

The four key features of demands on the HR function mentioned in section 3 of this Fact Sheet, namely: **Agility, Adaptiveness, Proactiveness and Responsiveness** must constitute the basis on which to evaluate the performance of the HR delivery model. Monitoring and evaluation of the performance of the HR function is critical. Methods of obtaining feedback on service delivery, such as surveys, impact analysis and audits should be considered. The HR function should work towards being able to measure and report on its own Return on Investment.

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