Positioning the On-Demand HR Model: Shifting Towards Effectiveness

Yolandi Havemann - inavit iQ consulting
Sarel Myburgh - inavit iQ consulting
Dieter Veldsman -Mindset Management Programs

Background

In reflecting on what the themes and topics of the 2016-2017 series of articles should be, we were of the opinion that the current (and expected future) economic, political and social challenges are important issues to engage with, as they create a context that will test the resilience and endurance of most organisations.

As in the past, we will again utilise the Business Value Model™ to discuss these themes and topics from different business perspectives.
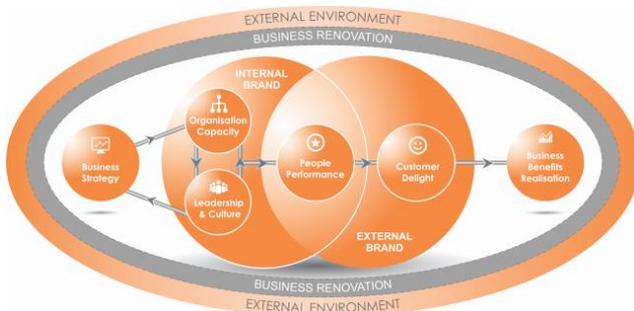

Figure 1: Business Value Model™

The BVM utilises the following logic:

- The realisation of specific business benefits (such as operating profit, top-line revenue and market share);

The Idea in Brief

For organisations to remain competitive in the current business landscape, an agile and holistic Human Resource solution offering geared toward securing the right talent at the right time has never been more crucial.

Current trends indicate that most organisations have the basics around Human Resource Management in place, with the focus now being on the effectiveness thereof (not just doing things right, but also do the right things at the right time in line with the business lifecycle).

This article will unpack the components of the traditional HR Service Delivery Model, and endeavour to illustrate an alternative On-Demand HR Model in response to changing business needs.

This Model will, amongst others, consider the requirements of managing people in the wake of a growing knowledge economy, the 4th Industrial Revolution, the shift towards an open workforce, and the benefits that superior HR Analytics can bring.

- are dependent on the creation of customer delight (loyal and satisfied customers);
- which is a direct result of the delivery of value added products / services;
- by high performing people;

- who work in an fit-for-purpose work environment (organisation capacity with respect to business process, organisation structure, human capital, information flow and technology);
- who are led and managed by capable, competent and credible leadership;
- towards a common goal and strategy;
- that address the dynamics of the competitive landscape in an innovate manner that builds the business brand and reputation.

In the previous article the authors explored ways on how to create talent agility. This article the 5th in our series builds on this concept by unpacking the components of the traditional HR Service Delivery Model, and endeavour to illustrate an alternative On-Demand HR Model in response to changing business needs. This Model will, amongst others, consider the requirements of managing people in the wake of a growing knowledge economy, the 4th Industrial Revolution, the shift towards an open workforce, and the benefits that superior HR Analytics can bring.

The Business Problem

Most organisations acknowledge the fact that talent is a core strategic differentiator, yet they battle to create a sustainable talent pipeline to deliver on future strategies.

Throughout the past 20 years companies across the globe have implemented variations of the Model put forward by Dave Ulrich, combining HR Shared Services, HR Business Partners and Centres of Expertise (CoE) to manage talent. In doing so however, many of them acknowledge a lack in benefit realisation when it comes to the Business Partner and Centres of Expertise functions, which perpetuates a growing perception that HR does not have the ability to deliver to business requirements.

The Deloitte global trends report echoes these perceptions with the following findings, "*only 30 % of business leaders believe that HR has a reputation for sound business decisions*"; "*only 22 % believe that HR is adapting to the changing needs of their workforce*"; and "*only 20 % feel that HR can adequately plan for the company's future talent needs*" (Deloitte, 2015).

The current landscape and changing world of work has called for a re-evaluation of talent management practices, leadership and culture solutions, with CEOs being quoted as "interested in business issues and talent issues, not HR issues".

The New Requirements: Talent Management in the Knowledge Economy and Industry 4.0

What does the term "knowledge economy" refer to? There are scores of varied versions of the definition with most of them differing on slight nuances or applications of the term. The Organisation for Economic Co-operation and Development (OECD) has referred to knowledge-based economies in very general terms, as meaning "*economies which are directly based on the production, distribution and use of knowledge and information*". This is reflected in the trend in OECD economies towards growth in high-technology investments, high-technology industries, and more highly-skilled labour. Although knowledge has long been an important factor in economic growth, organisations are now exploring ways to be more deliberate to incorporate knowledge

and technology in their operating models and way of work (Charles Tilley and Barry Melancon, 2014). This is also reflected in Industry 4.0 where organisations are increasingly evolving as "smart factories" where man, machine, computer, product and raw materials communicate and cooperate with each other in a digital ecosystem.

Given the nature of the emerging knowledge economy, and opportunities that the 4th Industrial Revolution brings, it would only be natural to conclude that organisations will ramp up on technology (specifically digitisation and data analytics) and further their willingness to establish an open workforce to be able to have access to highly-skilled talent as and when needed.

Research done by the CIMA Institute and PWC indicated the following in line with the statement made above:

- External talent comprises at least half the workforce for more than one quarter of organisations, with 9 in 10 organisations planning to adapt to an open workforce;
- To better manage the open workforce, 9 out of 10 executives want better processes and technologies to gain insight from data and analytics; and

- Lack of digital culture and training is one of the biggest challenges facing companies. (CIMA, 2014 and PWC in *Industry 4.0: Building the Digital Enterprise*, 2016)

The business problem stated, and research conducted indicates a significant shift required in the way that talent and culture are managed so as to enable sustainable business growth. The starting point to create this shift is to revise the HR value proposition, rethink how it is delivered (the HR Service Delivery Model), and leverage the benefits that superior HR Analytics can bring. The next section provides an alternative to the traditional HR Service Delivery Model to consider in response to the growing knowledge economy, and dawn of the 4th Industrial Revolution.

An Alternative: The On-Demand HR Model

Possibly the best way to illustrate the alternative HR Service Delivery Model recommended, hereon referred to as the On-Demand HR Model, is to compare it to the more Traditional HR Service Delivery Model of HR Shared Services, HR Business Partners and Centres of Expertise as seen in the table below:

	Traditional HR Model	**On-Demand HR Model**
General	▪ HR as service provider being a function within the organisation ▪ Incorporates knowledge created, and lessons learnt within one organisation	▪ HR as external solution provider to multiple organisations ▪ Incorporates knowledge gathering and creation broader than just one organisation
Human Resource Business Partners	▪ Strategic HR Business Partners managing the relationship with business ▪ HR delivery assigned to HR consultant/ generalist roles	▪ Dedicated HR Account Managers with a business mindset to manage delivery to business ▪ Specialist implementation capability as and when needed
Centres of Expertise	▪ Centres of Expertise structured around HR functions (e.g. Talent Acquisition, Talent Management, Reward and Remuneration, Learning and Development etc.)	▪ Communities of practice that work together to craft integrated solutions / responses to organisational problems that are organisation specific, but leverage knowledge and insight created across organisations ▪ Focus is on integrated Talent Management, Leadership and Culture
HR Shared Services	▪ Shared services function that is either insourced or outsourced and staffed with HR experts	▪ Outsourced Shared Services that creates and enable a self-service functionality with a combination of technology and HR experts maintaining the system environment
HR Data vs HR Analytics	▪ HRIS and other legacy HR systems which generate data for compliance monitoring and transactional HR service management (e.g. self service, recruitment, training / learning management and performance ratings and reporting)	▪ MIS and BI solutions which generate predictive HR Analytics from HRIS and business data to enable better decision making, solution crafting and improve the responsiveness of HR to business challenges

(CIPD, 2009; Kates, 2006; Lawler et al, 2006; Porter, 2006 and Ulrich, 1998)

Practical Implications

As George Edward Pelham Box stated, "all models are wrong but some are useful", and the On-Demand HR Model should therefore be customised in line with each organisation's uniqe lifecycle and requirements, and the advantages and limitations thereof carefully considered.

Despite the advantages and limitations as stated below, there is without a doubt a business case for the On-Demand HR Model. The CIPD reported that at least 64% of organisations have been moving towards outsourcing their HR functions with 61% of those admitting cost reduction as the main reason for the move. With the On-Demand HR Model furthermore being driven by HR Analytics as core capability, the value add as reported by CedarCrestone illustrate that "Organisations at the highest levels of talent analytics practice, including the adoption of workforce analytics, have 8% higher sales growth, 24% higher net operating income growth, and 58% higher sales per employee" (CedarCrestone, 2011).

	Traditional HR Model	On-Demand HR Model
Advantages	- Physical presence of HR representatives to work "hand-in-hand" with business stakeholders - In-depth knowledge and understanding of the specific organisation - Company culture and ethos is easier to embody with internal resources	- Provides access to specialist implementation teams without the need to build permanent internal capacity - More cost effective over the longer term - Geared to generate superior HR analytics and thereby providing business intelligence to promote better decision making - Connected within a well established network through which to provide access to a highly-skilled open workforce, and to monitor the performance of that workforce
Limitations	- The model is implemented as a one size fits all rather than a solution to a specific business challenge - HR Business Partners often get stuck in managing the push and pull between HR and Business - HR Business Partners are often overwhelmed by transactional work due to employees and leadership not adopting to self service - CoE practices and processes are not integrated across the HR Value Chain in support of the Business Value Chain	- Significant initial cost to establish the HR Analytics environment - Managing the relationship between internal and external parties could become cumbersome - Dependent on a 'one team' ethos between the HR Solution Provider and each organisation - Dependent on leadership taking ownership and accountability for talent and culture management - Requires a high level of organisational maturity - Reskilling internal HR to work within an On-Demand HR context and focus on delivery of value vs presence - Data and information security could be a concern

PEOPLE AND PROCESS INNOVATION
FOR SUSTAINABLE RESULTS

In Summary

HR needs to transcend the current paradigms attached to the function by becoming an on-demand value for money solution that is powered by strategic expertise, contextual knowledge based solutions and implementation capability. This however requires a significant shift in how leaders view the value of HR, define the HR value proposition, and decide how it should be delivered.

References

CedarCrestone, (2011). *HR Systems Survey: HR Technologies, Service Delivery Approaches, and Metrics (13th Ed),* http://www.cedarcrestone.com/research.php

CIPD, (2014). *HR Business Partnering.*

Deloitte Global Human Capital Trends, (2015). *Leading in the new world of work. Reinventing HR: An extreme makeover.*

Deloitte Global Human Capital Trends, (2015). *Leading in the new world of work. HR and people analytics: Stuck in Neutral.*

Kates, A, (2006). *(Re)designing the HR organization.*

Lawler, L & Mohrman, S. (2003). *Creating a Strategic Human Resources Organization: An Assessment of Trends and New Directions.*

Porter, P, (2005). *Have you got what it takes to become a valued business partner?*

PWC, (2016). *Industry 4.0: Building the Digital Enterprise.*

Tilley, C & Melancon, B.C, (2014). *New Ways of Working: Managing the open Workforce,* Chartered Institute of Management Accountants (CIMA) and the American Institute of CPAs (AICPA).

Ulrich, D., (1998). *Delivering Results: A New Mandate for Human Resource Professionals.* Boston: Harvard Business School Press.