

HR Operations: Adding Value by Driving Effective & Efficient HR Service Delivery

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The following research report was conducted by engaging in detailed interviews with 14 CAHRS partner firms and the distribution, collection and analysis of survey data from 33 CAHRS partner firms. The report aims to provide an overview of current initiatives and trends and benchmark vital HR Operations topics.

Introduction

As human resources functions have migrated from transactional departments into strategically governing bodies within firms, greater focus has been placed on the internal organization of the function. Dave Ulrich's 1997 book *"HR Champions"* popularized the modernized HR model, that aside from the very top HR leaders in firms, consists of (1) a group of HR business partners, commonly referred to as generalists, (2) functional centers of excellence such as compensation, learning and staffing, and (3) HR shared services and support, which typically handles the more transactional aspects of the function. While not all organizations fully embrace Ulrich's proposed model, his suggested structure served as an impetus for organizations to look internally and reconsider the structural and operational elements of their HR functions. A recent publication by Deloitte underscored this focus by describing how many leading firms have created an "HR Chief Operating Officer" whose main accountability is to drive HR operational efficiency¹. As a result of this renaissance of human resources operational evaluation, firms have implemented significant organizational changes and initiatives. One of the most notable transformations is the development of the "HR Operations" sub-function. This benchmarking study, conducted with interview input from 14 CAHRS partner firms and survey results from 33 CAHRS partner firms, aims to provide an overview of current initiatives and trends and benchmark vital HR operations topics.

Overview & HR Structural Alignment

In order to effectively understand HR operations and conduct a thorough, comprehensive analysis, it is critical to provide context and definition of what HR operations actually is. For the purposes of this report, we consider HR operations the **group or sub-function that develops, strategically integrates and executes HR operational excellence imperatives**. On the other hand, we consider the typical HR shared services sub-function the entity that simply executes transactional HR activities. In many firms, the sub-functions of HR operations and HR shared services may overlap or the leadership of the HR shared services sub-function may act as the HR operations initiative owners. According to survey results, 54.5% (18) of CAHRS partner firms replied that they do not differentiate between HR shared services and support and HR operations. However, by examining survey responses, nearly all of the firms who do not differentiate (most often solely referred to as "HR shared services") engage in activities that are otherwise performed by sub-functions clearly delineated as "HR operations." Having stated that, there are clear differences among firms in the sort of operational work performed regardless of delineation. In nearly 75% of participating firms, the head of the HR operations function, or HR shared services if undistinguished from HR operations, reports to the CHRO/SVP-HR. In other cases, the head of HR operations/HR shared services reported to an HR leader one layer below the CHRO/SVP-HR, or, in a few cases, the firm's CFO. Instances where the head of HR operations/shared services reports to the CFO are most common when the reported duties are highly transactional and, often times, simply titled "HR shared services" rather than HR operations. When firms had reported both an HR operations group as well as an HR shared services group, the HR shared services group was more likely to report to an entity outside of HR. This was often the circumstance because firms intended to drive synergy between a larger shared services body and the HR-specific shared services body.

Based on dialogue from interviews and survey results, there appeared to be three general reporting structures of the HR operations sub-function. These three can be described as follows:

HR Operations within Shared Services & Support: The most common general model deployed, this structure featured either an HR operations group embedded within a broader HR services group, or an HR shared services group that functioned as, and was undistinguished from, an HR operations group. Firms that operate with this structure consider their HR shared services group the main entity accountable for driving HR operational efficiency. The official title for this sub-function varies from firm to firm, although typical titles include “HR shared services,” “HR operations” or “HR operations, shared services and support.” In this structure, survey and interview results suggest that firms either make the entire sub-function accountable for operational initiatives (as described in the “initiatives” section of the report) or a small, separate group existing within the sub-function performs such initiatives and duties. Many firms claim that this model is most efficient because HR operations duties and imperatives are closely linked to HR shared services processes, goals and initiatives.

HR Operations as a Center of Excellence: In this typical model, firms have chosen to create an HR operations center of excellence, which is sometimes organized and situated among other HR centers of excellence such as learning and development and compensation. This center of excellence almost always is separate from HR shared services and support, which either exists as part of a tertiary model (most common case) or reports outside of HR entirely. One CAHRS partner firm that deploys this model has designated HR operations as one of four HR centers of excellence, while a separate HR shared services sub-function reports to finance. Among CAHRS firms who deploy this model, HR operations tends to be especially strategic and well developed in terms of focus. In several cases, advanced initiatives and HR operations employee competency models are developed. We will examine more on these topics later in the report.

HR Operations Embedded Among HR Generalist Support: In this model, which is the rarest observed among the three noted, HR operations is divided along the same lines as the HR generalist support, which is often delineated by business unit or geographical region. Firms that utilize this structure may operate in many different geographic regions, have disparate and distinct business units, or operate their firms in true conglomerate form. When this model is deployed, HR operations professionals may have a business unit or geographical region manager as well as an HR operations manager, or have one or the other considered as a “dotted line” manager.

It is important to note that while the three aforementioned structures tend to be the most common, many of the organizations participating in the study made slight modifications based on the unique structure of their business and HR function. The main emphasis for firms should be aligning the HR operations sub-function to the unique HR operating context. Firms must strive to place the HR operations sub-function in position to optimally leverage the resources of the HR function and firm at large in order to drive gains in HR service effectiveness and efficiency.

HR Operations Internal Structure Composition

Having considered the placement of the HR operations sub-function within the HR function at large, we must next turn our attention to the internal structural makeup of HR operations. Through interviews, CAHRS partner firms stated that between 20 and 100 full-time, non-contract HR operations professionals existed in their firms. Upon synthesizing interview and survey data, HR operations internal

structures generally can be categorized into three structural frameworks: (1) **work stream**, (2) **region or business specific**, and (3) **work stream/business & regional hybrid structure**. Next, we will examine each structure and its specific characteristics.

Work Stream: Most CAHRS partner firms that participated in the benchmarking study internally structured their HR operations groups by work stream. Firms that organized their groups by work stream stated that their HR operations group either operated as a center of excellence or existed as an HR shared services group with some or all HR operations responsibilities. Typical work streams that exist in most firms include:

- **Staffing:** Nearly all firms reported that the HR operations group has at least some focus on portions of the employment cycle such as onboarding and exiting. One firm reported that its HR operations group focused on every major movement in the employment cycle, such as onboarding, promotion, lateral movement, physical employee movement and exiting.
- **Vendor Management:** Given that essentially every firm participating in the study manages some sort of contracted HR work, this work stream was frequently present as a distinct sub-group or role within HR operations.
- **HR Analytics:** Some firms chose to create an entity within the HR operations group responsible for tracking and driving relevant HR metrics, and in some firms, predictive analytics.
- **Service Delivery:** A large majority of firms reported that a distinct sub-group or role existed within HR operations to manage service delivery, such as portal management, employee concerns, or “highly-tiered” issue tickets submitted from employees. “Highly-tiered” issue tickets, according to the interview results, usually consist of transactional employee concerns that cannot be handled via self-service (usually online) or through a third party vendor.
- **Payroll:** A payroll subgroup often existed that either managed the actual payment of employees or monitored third party vendors. The existence and size of this group was often linked to the complexity of actually paying employees; issues such as frequent expatriation and international variation in compensation design and delivery were noted.
- **HR Information Systems:** Many firms have a specific role or sub-group committed to managing HR information systems’ operability. They often address issues such as new system implementation, system modification, and user interface concerns.

While the aforementioned work streams are the most typical, firms customize their work streams based on the operating context. Firms reported who structure their HR operations group by work stream reported between three and 12 different work streams.

Region/Business Specific: The rarest of the three HR operations internal structures, firms who organized their HR operations group in this manner embedded their HR operations group among the different business units or regions. Each unit has responsibility for initiatives and projects typically included among work streams as indicated in the “work stream” structure description.

Hybrid Work Stream & Region/Business Specific: This typical model is often utilized by firms who seek to have some work streams globally or universally applicable to the organization yet still desire some degree of specialization in certain areas. Expectedly, this occurs when unique operating circumstances make it advantageous to do so. For instance, one CAHRS partner firm has structured the HR operations group with three distinct work stream groups that apply to all regions of the world except Europe and Latin America. For the European and Latin American region, separate HR operations sub-

groups exist. In these sub-groups, work that is typically done by the three distinct work groups takes place and additional initiatives unique to the regions are undertaken.

Responsibilities and Initiatives

Given the relative novelty of HR operations, it is certainly worthwhile to examine some of the most important current responsibilities, initiatives and challenges of the function. Based on interview and quantitative survey results, the following trends were observed:



- Lean/Process Improvement Initiatives:** Nearly all firms reported that they anticipate an increase in lean initiatives such as value stream mapping and six sigma. CAHRS partner firms claim to pursue efficiency by performing root cause analysis on employee service tickets, reducing cycle time of transactional HR processes, and driving efficient vendor management policies.
- Centralization of HR Operations Structure:** Congruent with the survey results that most firms situate HR operations as a corporate center of excellence or in HR shared services, the survey demonstrated that firms continue to migrate HR operations toward a more centralized, corporate structure rather than pushing the function toward a more decentralized model.
- Increase in Relative Workload:** Most firms report that HR operations is continuing to perform a larger percentage of the overall workload in the HR function. In many instances, firms reported that an increase in workload was accompanied by an increase in the number of HR operations professionals employed; in several of these instances, there was also an accompanying drop in the amount of HR generalist positions needed.
- Vendor Consolidation:** Most firms reported that they are driving toward the usage of fewer total vendors for HR service delivery. Of the firms that provided a number of vendors, the range was very broad: from two to nearly 100.

- **Workforce Analytics:** Most firms reported an increase in the focus on advanced workforce analytics. Nearly all firms reported the usage of at least some form of workforce analytics.

Challenges

According to interview and survey data, several noteworthy challenges currently face organizations' HR operations functions. Based on quantitative survey analysis, all firms reported that two issues were either "very important and salient" or "critically important and salient" at their firm, several more issues were commonly rated "important and salient," and several more challenges were described by a lesser amount of firms as being salient and somewhat important. It is important to note that as each firm is unique in its operating context, each firm will have its unique set of challenges. The value that can be derived from this section is the examination of common challenges across firms.

Critically Important & Salient

- **Information Integrity and Privacy:** All firms stated that information integrity and privacy is a challenge given the amount of sheer data dealt with, the number of internal parties involved and the presence of third parties such as contractors.
- **International Variation & Fluctuation:** Every firm that participated in the study with a global footprint cited international variation in legislation, culture and requisite language capability as a significant challenge for HR operations. This is somewhat intuitive as variation is a natural enemy of process excellence, which is precisely what the HR operations function is seeking to drive.

Important & Salient

- **Customization Versus Standardization:** Expectedly, nearly all firms cited the challenge of continually attempting to balance between HR operations process standardization and regional or business specific customization. Much like other HR processes, HR operations seeks to maximize economies of scale for cost purposes while still delivering effective service.
- **Education of HR and Line Management:** Given that the field of HR operations is fairly novel, HR operations professionals have to continually advise other parties within the organization what the purpose of the function is as well as how to use tools HR operations may commonly provide.
- **Global HR Operations Consolidation:** Many of the firms who stated that their HR operations functions are becoming more centralized are faced with the often daunting challenge of consolidating work streams, service vendors or other aspects of the function.
- **HR Paradigm Shift:** As HR operations continues to assume more responsibility within firms, the duties of all HR professionals are shifting, as are the normal operating assumptions made by HR professionals. Many firms reported that this shift, which can be highly emotional, is a significant challenge for HR operations.

Other Notable Challenges

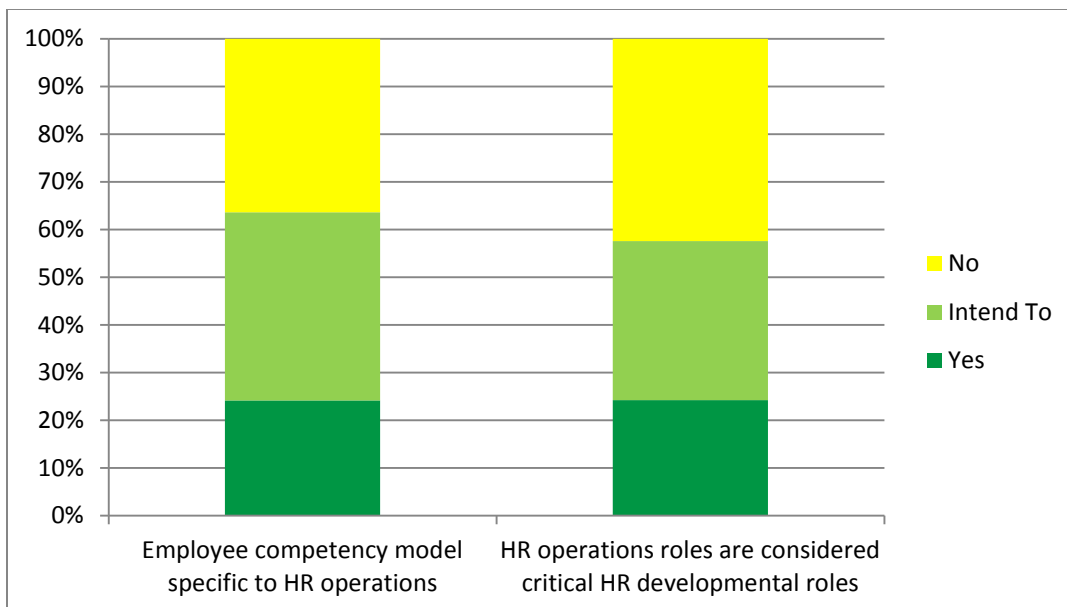
- **Headcount Accuracy:** Several of the large, global and highly complex partner firms reported ascertaining an accurate headcount to be a significant and routine challenge.

- **HRIS Shifts:** Several partner firms reported that significant changes, upgrades or modifications in the HR information systems used in the organization presented significant challenges for HR operations.

HR Operations Talent

The growing importance of the HR operations function mandates firms to closely examine HR operations professionals and the management of HR operations talent. While HR operations usually exists as a sub-function within the HR function, according to interviews and surveys, there are unique attributes with respect to the management of HR operations talent. Over 68% of firms participating in the survey stated that HR operations talent is most often sourced from other HR functions, such as specialist or generalist roles, nearly 30% of firms reported the most common source was outside of HR entirely, and only one firm reported that HR operations professionals are most often sourced directly from a college or university. Because of the wide variety in the experience and education of HR operations professionals, it is difficult to point to a most absolute, typical profile. CAHRS partner firms report that educational backgrounds range from MBAs and business-related advanced degree holders to engineers, supply chain degree holders and degree holders without a directly relevant major or concentration. The two educational backgrounds that do seem to be most typical are degrees, majors or concentrations in information systems and HR-related disciplines.

The chart below represents some very interesting data ascertained from the CAHRS partner survey. While few firms actually have a competency model specific to HR operations professionals, the large percentage of firms that intend to develop and implement a competency model specific to HR operations is encouraging and demonstrates the growing importance of the function. While a lesser percentage of firms intend to consider HR operations roles critical HR developmental experiences, over half of firms do or intend to, which is an auspicious sign for the function considering the (generally) low number of HR operations professionals within the typical firm.



After undertaking considerable analysis of the data from the survey questionnaire and interview transcripts, an HR operations professional competency model was developed. While every firm may define its own competency model and HR operations skills set, the data gathered consistent among firms can be categorized into the following model. Nearly every firm mentioned certain aspects of each competency, and some firms deployed competency models for HR operations functions that have many similarities to the one below. The model can be viewed as a guide for aspiring HR operations professionals as well as a benchmark for organizations who seek to understand how the skillsets of their HR operations professionals compare to the competencies broadly exhibited across firms. Like any other competency model, it can also be used to provide input for a wide array of HR processes within the firm such as hiring, training and development and performance management.

HR Operations Professional Competency Model

Process & Continuous Improvement	HR Technology & Information Systems	Project Management	HR Functional Knowledge	Leadership & Change Management
<ul style="list-style-type: none"> -Experience/knowledge of the latest, most prominent continuous improvement tools and methodologies (value stream, six sigma, etc.) -Exceptional ability to harness the power of analytics to make effective decisions -Keen ability to proactively address potential process issues 	<ul style="list-style-type: none"> -Experience/knowledge of the latest HRIS capabilities and functions, and practical applications within the organization -Deeply understands the user perceptions and end-use efficacy of HR information systems -Adroitly communicates complex HRIS information in simple, usable terms 	<ul style="list-style-type: none"> -Experience/knowledge of leading full cycle projects in technical (i.e. new implementation of HRIS) and strategic (i.e. org. restructuring) capacities -Adept at handling vendor/service supplier relationships -Keenly aware of the potential project impact of firm budgetary processes and operating cycles 	<ul style="list-style-type: none"> -Experience/knowledge of various HR functional disciplines (learning, comp.) and their theoretical basis and practical implications -Experience & knowledge of HR generalist role duties and knowledge requirements -Understands the HR operations strategic integration within HR 	<ul style="list-style-type: none"> -Exceptional ability to manage emotions and reactions common to transactional and transformational change -Adroitly communicates across organizational boundaries and functional borders -Keen ability to teach and mentor others, particularly in other parts of HR and other functions entirely, about issues salient to HR

Conclusion

HR is a function rich with transformation, and this transformation is underscored by the growing importance of the HR operations function. As firms continue to burgeon in size and grow increasingly global and complex, they must look to drive effective, efficient HR service delivery. The results of this benchmarking study strongly suggest that the HR operations function is becoming a strategic differentiator for organizations. HR operations professionals note increased functional responsibility and an uptick in the usage of formal mechanisms, such as HR operations employee competency models, to drive sustained competitive advantage.

¹ http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us_consulting_hc_emergingrolehrcoo_171110.pdf