



Functional Area #6: Structure of the HR Function

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HR's Strategic Role in the Organization



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HR's Administrative and Operational Roles



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Administrative

- Use technology to capture and analyze data, reduce transactional time
- Focus on core capabilities

Operational

- Knowledge management
- Talent acquisition and development
- Incentive systems
- Employee engagement programs



All aspects of the HR function must be examined:

- ✓ Strategy, how HR will create value for the organization
- ✓ Shared values, how a commitment to service is communicated
- ✓ Structure, how HR can be more efficient and innovative
- ✓ Systems, what tools are needed
- ✓ Staff, what performance will be rewarded
- ✓ Skills, what capabilities are needed to deliver service
- ✓ Style of leadership, how leaders model customer service values

Core Business Functions



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The C-suite is ultimately responsible for all of the core business functions and their effect on the organization's performance.

- Develop and communicate strategy.
- Monitor and control implementation of strategic and operational activities through control of financial resources.
- Be the primary interface with the organization's stakeholders.
- Lead the organization through a shared vision and the values they model.



Finance:

- Supports operations and strategic initiatives through the creation and monitoring of operating and capital expenditure budgets.
- Provides financial analysis used in strategic planning.
- Manages the organization's "treasury."

Accounting:

- Focuses on tracking financial transactions and reporting financial information to finance and to external stakeholders.



Brings in revenue; may be separate functions or together.

Marketing Strategies

Often categorized as:

- “Push”—getting products/ services in front of customers.
- “Pull”—attracting customers to the product.

Sales Strategies

- Heavily influenced by an industry’s customary distribution practices and the company’s marketing strategy.
- Affects HR needs, including talent acquisition and compensation.

Research and Development (R&D)



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- Generates future revenue through new product design and development.
- May be conducted in a centralized manner (for example, with a globalized strategy) or implemented in business units so that projects stay focused on customer needs.



Operations and IT



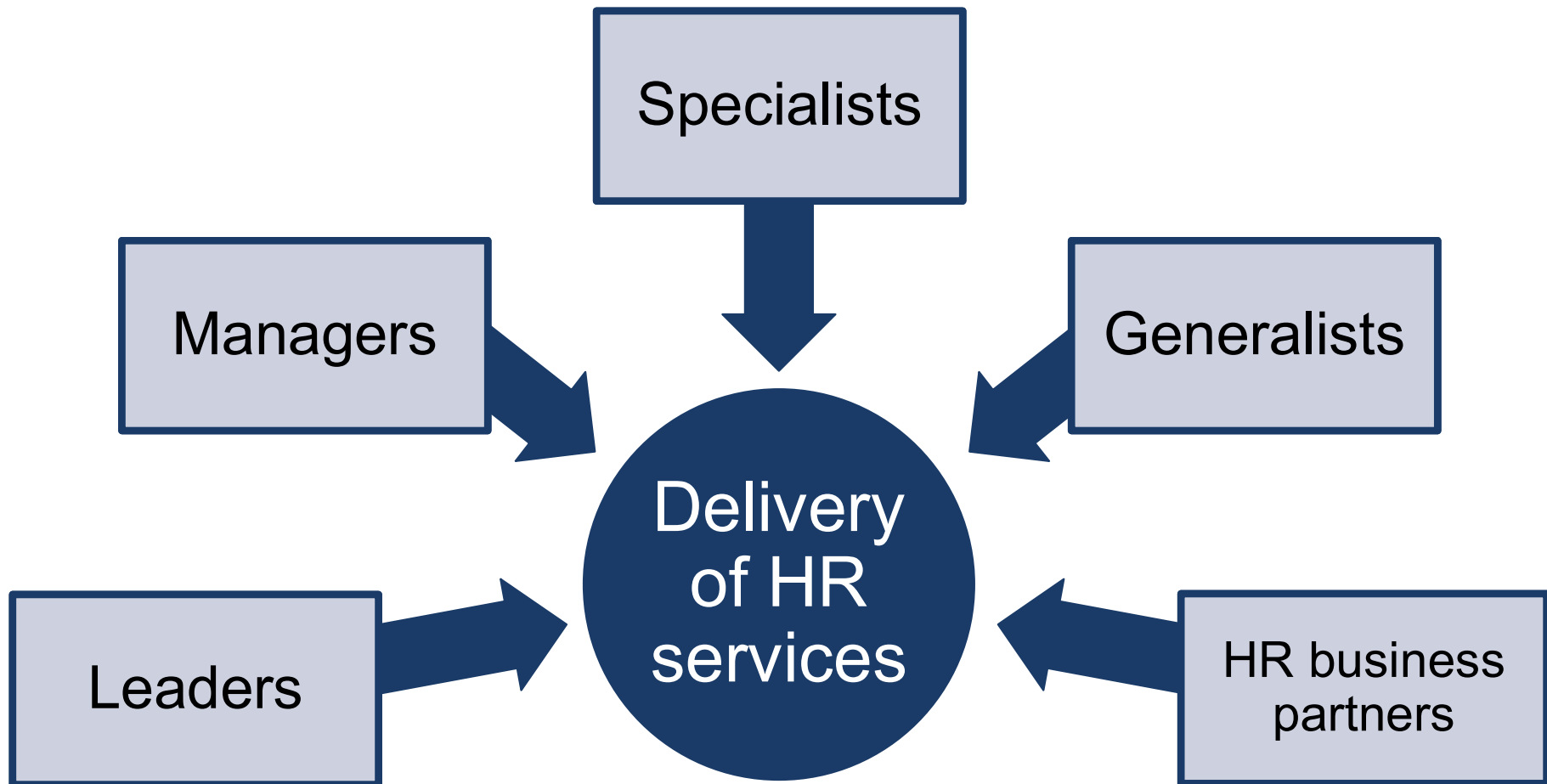
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Operations

- Develops, produces, and distributes products/services.
- Concerned with efficient use of resources, quality, environmental impact, worker health and safety.
- Requires complex logistics and sophisticated planning.

IT

- Manages storage, access, exchange, and analysis of organizational data through hardware and software systems.
- Supports integration of data across enterprise through ERPs.
- Maintains security and reliability of data.





Centralized

- All HR personnel are located within the HR department.
- Headquarters makes all HR policy and strategy decisions and coordinates all HR activities and programs.
- Helps ensures standardized HR policies and processes.
- Creates efficiencies in delivery of services.

Decentralized

- Each part of the organization controls its own HR issues.
- Strategy and policy may still be made at headquarters, but HR staff within each function, business unit, or location carries out the required activities.

HR Structural Alternatives



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Functional

- Headquarters HR specialists craft policies.
- HR generalists (e.g., located within divisions or other locales) implement these policies, adapt them as needed, and interact with employees.

Dedicated

- HR function at headquarters and separate HR functions located (or “embedded”) in separate business units.
- Corporate HR articulates basic HR values, develops tools to be used by the organizational-level HR functions, and creates programs (e.g., global literacy and leadership skills).
- Business unit HR staff develops local policies and practices.



Shared Services

- Centers with specific areas of expertise develop HR policies in those areas and then offer the service to all units.
- Frequently used in organizations with multiple business units.
- Units select what they need from a menu of shared services (usually transactional).



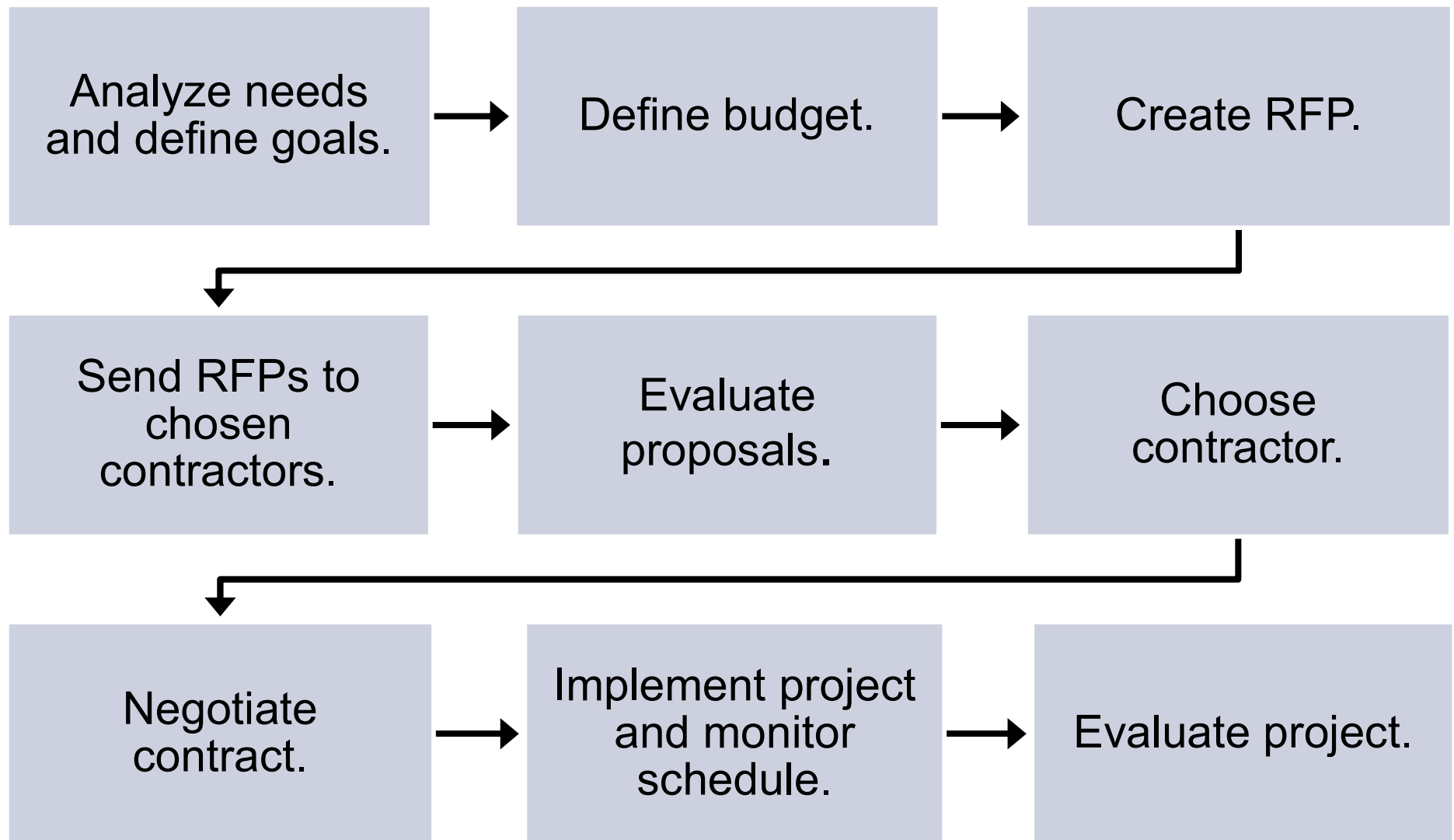
Successful outsourcing/cosourcing depends on:

- Choosing the right activities to outsource/cosource.
- Alignment of vendor's performance objectives with strategic requirements.
- Confirmation of vendor's reliability, capacity, expertise, and ethical behavior.

Outsourcing Process



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Benefits of measuring and reporting results include:



- Reinforcing HR's role in strategic development by measuring the effectiveness of HR strategies and senior management's implementation of those strategies.



- Identifying opportunities for redirection and improvement through periodic measurement of progress on strategic objectives.



- Strengthening HR's relationship with internal business partners.
- Supporting future investment in HR programs.



Balanced scorecards help support clear line of sight from strategic goals to strategic performance.

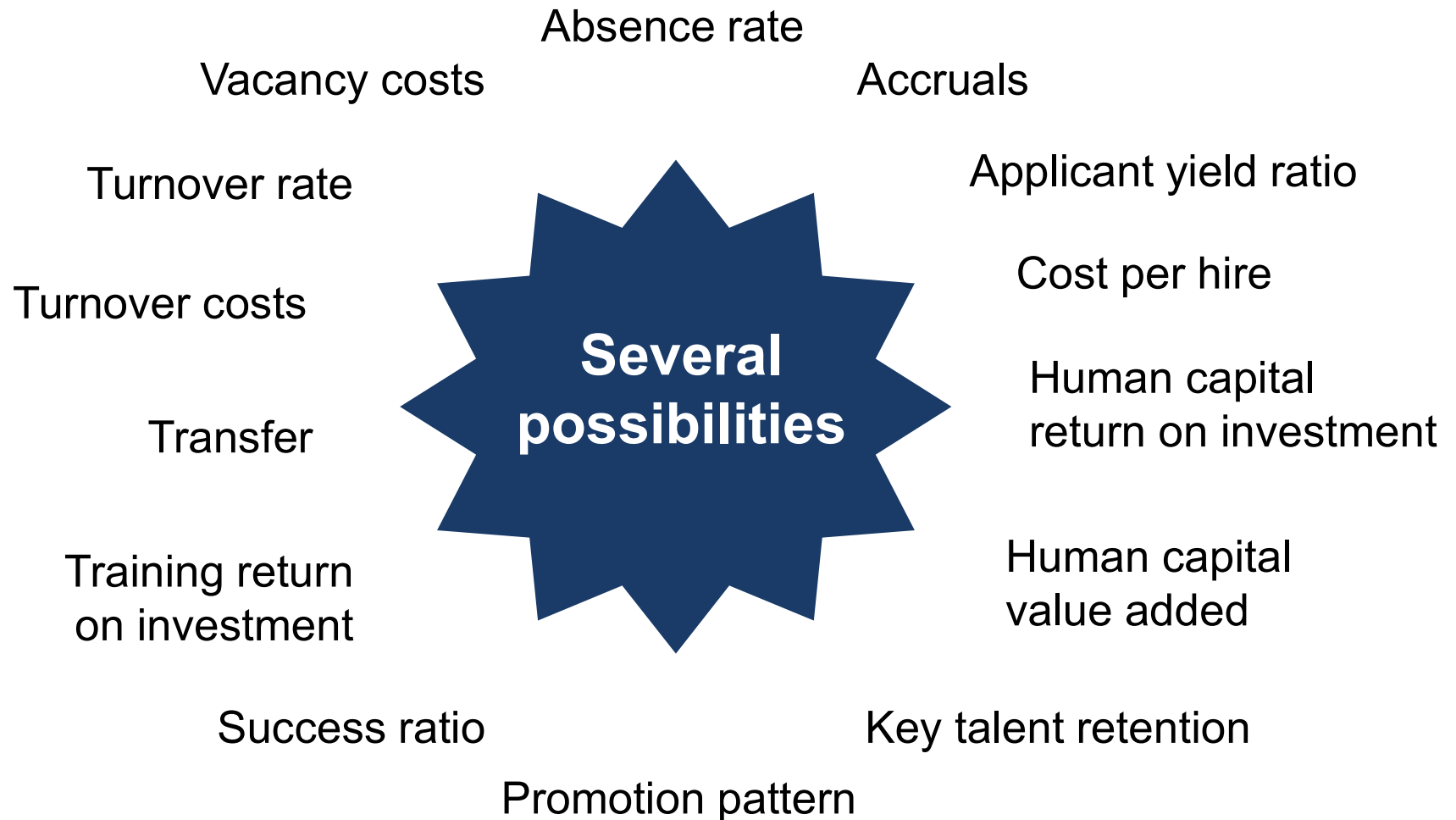
Effective balanced scorecards:

- ✓ Contain accountability and measurable results.
- ✓ Are valid (e.g., understandable measures, metrics, and targets that are aligned to an objective and supported by solid data).
- ✓ Contain only measures that are most important to the objective and the organization's strategic plan (e.g., measures must result in actionable items).
- ✓ Focus on results.
- ✓ Are carefully planned and executed.

Sample HR Metrics



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Types of HR Audits



Compliance

Best practices

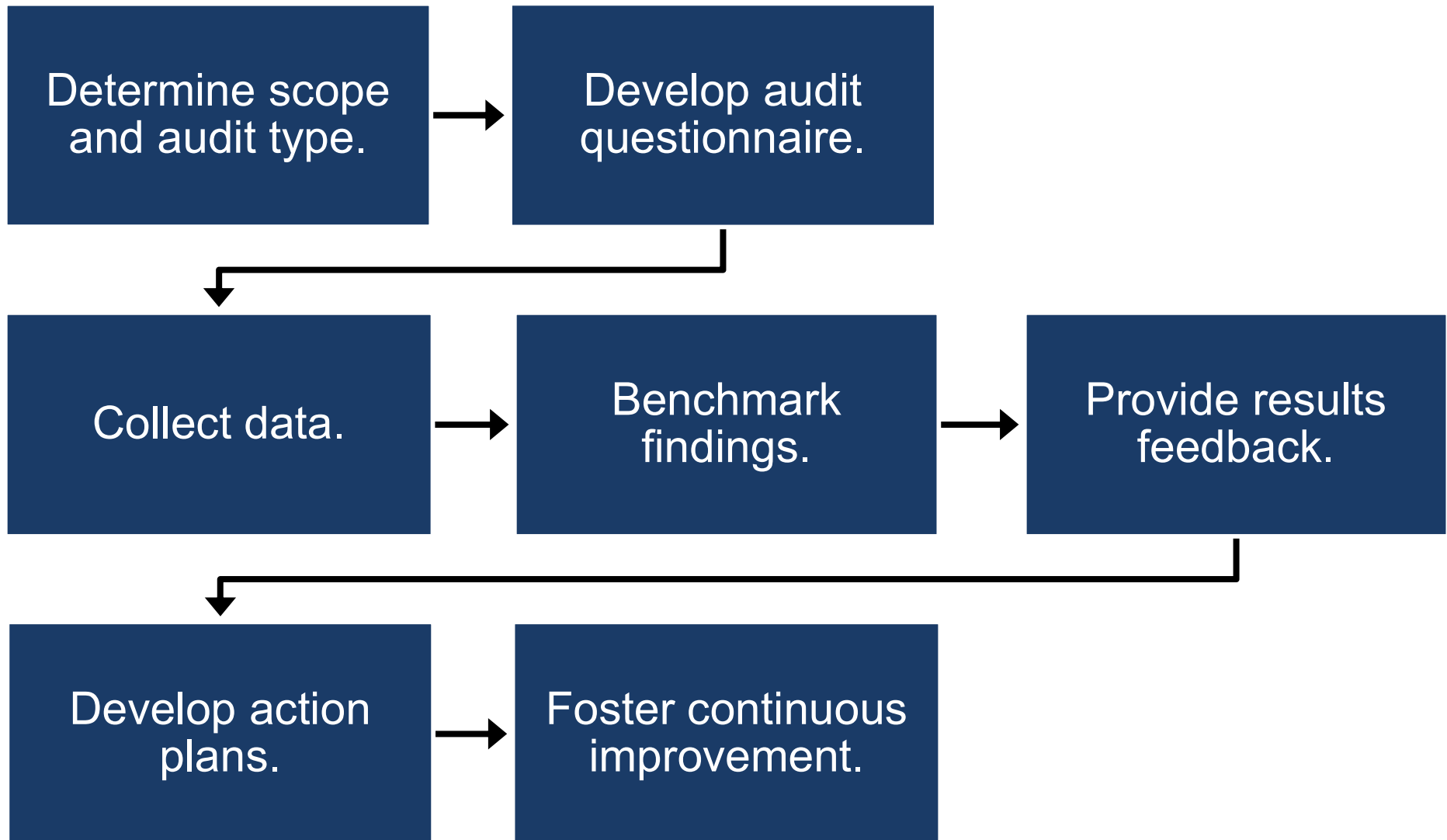
Strategic

Function-specific

HR Audit Process



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Discussion



The newly appointed VP of HR is excited about participating in the upcoming strategy session and discussing a number of ideas on how to improve the efficiency of the HR department. These ideas will require a significant investment in technology and in upgrading the skill set of the HR department.

During the session, most of the other leaders provide direct and indirect feedback about the ineffectiveness of the HR department and complain that HR is out of touch with the rest of the organization. Often these leaders intentionally exclude the HR department and actively work around them until they are compelled to cooperate.

Discussion



- What must the VP of HR do to convince the organization that the HR team is adding value to the organization?
- What competencies must the VP of HR demonstrate before other leaders support the implementation of the structural and operational changes within the HR department?