

TRANSFORMATION OF HR ORGANIZATIONAL STRUCTURES IN CZECH ORGANIZATIONS

Marek Strítěský

Abstract

This paper deals with Human Resource Organizational Structures in Czech organizations, reflecting new trends which are related to HR Business Partner model. HR organizational structure is the framework within a human resources department that divides the decision making functions within HR into specific groups with distinct job functions. HR Business Partner model reflects modern expectations arising from new roles of human resources managers in organisations which include its strategic consequences, change support and also its abilities of HR systems development and improvement of employee engagement.

The paper in its first part describes basic principles of new roles of human resource departments in organizations based on HRBP concept and also new competencies required. In the second part the paper presents situation in these aspects in several organisations from different sectors of the Czech economy using data gained from qualitative survey. It compares specific situations and documents specific applications of these new trends with more or less developed HR organisational structures.

In conclusion there are given common characteristics of positions called HR business partner in companies involved in the survey, also specific requirements for employees in these positions.

Key words: HR Transformation, HR Roles, HR Business Partner, Human Resource Management

JEL Code: L22, M12, J21

Introduction

The status and role of human resource managers in the field of strategic management is closely related to its importance acknowledged to human resources in terms of success and competitiveness of the organization. In case of growing importance of intangible assets for the organization the impact of strategic human resource management arises. This factor determines the significance of the HR role in organization. This fact reflects the human capital theory, where the costs associated with the procedures and processes in human resources should be viewed as an investment that will generate incomes in the future (Becker - Huselid – Ulrich, 2001).

Fig. 1: Model HR Business Partner



Source: Ulrich, D. (1997). Human resource champions: The next agenda for adding value and delivering results. (1st ed.). Harvard Business School Press. p. 34.

Changes in the importance of human resources for the organizations have an impact on the human resources departments. New expectations are related mainly to its strategic role, which is essential to support line management in implementing the strategy of the organization (Svoboda, Schroder, 2001). In this context, it is most often mentioned the HR Business Partner model distinguishing four integral roles of HR in the organization (Ulrich, 1997). These roles reflect the specific focus of the HR department in four dimensions, made up of two axes defining aspects of business and people perspective, on the one hand, and strategic and operational point of view on the other hand (Figure 1). In connection with the new conception of the HR role in the organization and the HR Business Partner model many companies operating in Central Europe have transformed structures of their human resources departments. This transformation should enable better delivery of HR services to internal

customers (top management, line managers, employees) and emphasize the strategic function of HR department (Labeledz - Lee, 2011, Ulrich, 1997) .

This paper deals with issue of HR organizational structure transformation in perspective of Ulrich's HR Business Partner model in organizations operating in the Czech Republic from different branches (Finance, Chemistry). The objectives of this paper are to offer comparison of the structures based on the same model and principles in different conditions and also summarize responsibilities of the newly created positions known as HR Business Partner in these organizations and requirements for employees in these positions. These objectives are achieved through analyses of internal reports of the organizations and responses of managers involved in qualitative research, as well as comparison of the data obtained from the practice with principles of applied theoretical model.

The contribution of the paper can be seen in practical view of theoretical concepts which constitute HR Business Partner model by Dave Ulrich and specific applications determined by human resources department transformation in selected Czech organisations reflecting these concepts in different ways.

1 HR delivery models reflecting HR Business Partner roles

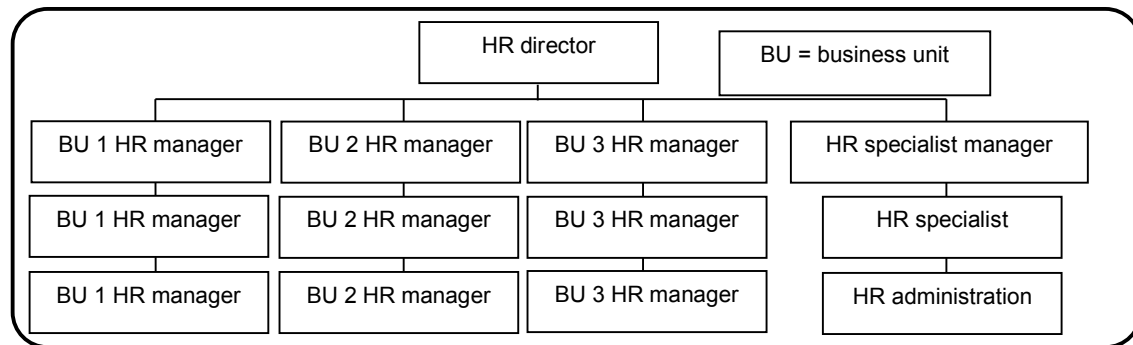
The traditional model can be represented as shown in Figure 2. Its disadvantages include the limited inclusion of the human resources department in the management of other departments that are supported from the perspective of HR services. There is only a small possibility of standardization and centralization of administrative processes (towards cost savings and improved services) that would generate funds for human capital investments and human resources department mobilization to the activities of strategic importance (Dvořáková, 2012). Opportunities for effective knowledge sharing of HR best practices are reduced in the structures of this type. It is due to the fact that this knowledge is generated in the interaction with assigned business units. The transfer to the further areas of organization is not usually possible in order to be used within the organization.

Organizational structure of the Human Resources based on a Human Resource Business Partner model might look as shown in the figure 3. Such a structure helps HR departments to effectively implement corporate strategy and manage its implementation from the perspective of human resources.

An HR structure must match the business structure. A holding company business structure would lead to a decentralized and dispersed HR organization. A single-business company

would have another type of HR department (Ulrich, 2007). This new type of HR department organizational structure allows HR departments to reflect business structure in more effective and more logical ways. HR Business Partners are directly assigned to heads of the different departments of the company. This allows the organization to ensure a closer relationship between human resources and business.

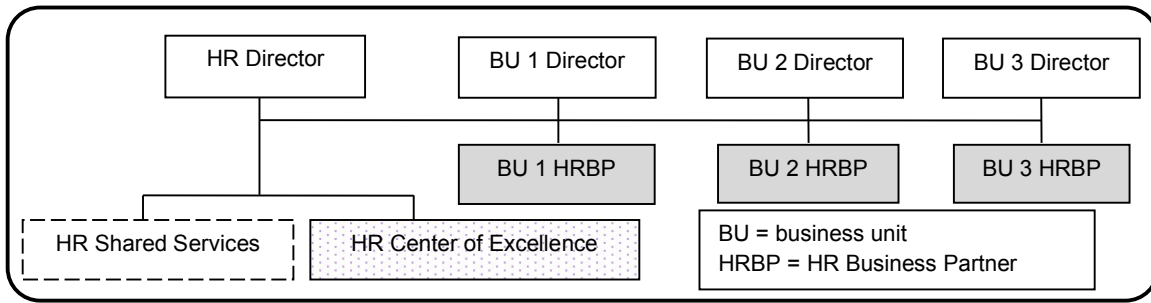
Fig. 2: Traditional HR department structure



Source: Hunter, I. Saunders, J. Boroughs, A. (2006). *HR Business Partners: Emerging Service Delivery for the HR*. (1st ed.). Gower Publishing. p. 26.

On the other hand, it is possible to split the role of HR departments into transactional work and transformational work. Transactional duties are standardized, routine and administrative, and it is desirable to handle them through services centers or outsourcing (Cascio, 2005). Transformational work, which is differentiated and strategic, is centered in HR centers of expertise and groups of business partners or HR generalists mostly representing a strategic partner and change agent roles in HR Business Partner model in Figure 1 (Ulrich, 2007). Administrative processes are therefore a matter of shared service centers. These enable standardized access to processes and technologies, personnel policy can be implemented quickly and efficiently. Specialists and experts of human resources, working together in the center of expertise, creating a network of specialized knowledge that can be shared within the organization and that the company can utilize.

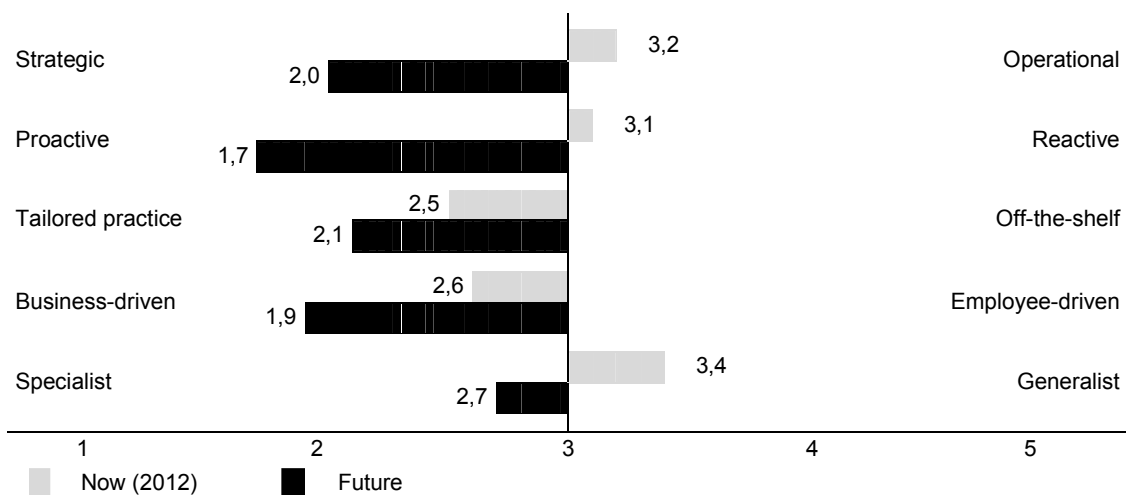
Fig. 3: HR department structure based on HR Business Partner model



Source: Hunter, I. Saunders, J. Boroughs, A. (2006). *HR Business Partners: Emerging Service Delivery for the HR*. (1st ed.). Gower Publishing. p. 26.

Transformation of HR structures is currently considered because the organizations are experiencing increased pressure to perform human resources services more efficiently and effectively. These activities are currently planned in organizations and this trend is confirmed by several surveys based on interviews with managers (McGrory, 2012). It is necessary to view the HR transformation as two journeys. There is an "efficiency" journey, which rationalizes and modernizes HR processes, using shared services centers and business partners. Many organizations already have taken that journey and achieved impressive improvements in HR costs and transactional services. However, the second, the "next generation" journey, is completely different. It enables HR to deliver strategic interventions and commercial results. This is a crucial journey and one that few HR teams have progressed (Goodge, 2011). However, both of them incorporates HR structure transformation because structure is key element of any organization and must be aligned with its strategy.

Fig. 4: Perception of HR function in organizations



Source: The changing HR function [online]. London: The Chartered Institute of Personnel and Development, 2012. p. 17.

The position of HR Business Partner has a number of features in common with the role of human resources consultant, but not identical. The consultant is a role, in which a person has a certain effect on the individual, group or organization, but does not have any direct power to make changes or implementation of any programs. It is possible to distinguish between external and internal consultants. While the external consultant has a wide range of knowledge across the business environment and he is able to bring new ideas. Know-how of internal consultant is limited to specific organization. An external consultant has a limited specific knowledge of the organization. In contrast, internal consultant knows its culture and its employees. Thus, HR Business Partner should be an internal consultant, but each internal consultant may not be automatically business partner (Kenton, Yarnall, 2005).

The person in the function of HR Business Partner must meet relatively high requirements. Good work in this role requires both a detailed understanding of the business from operating and financial perspectives and understanding of the strategic aspects of the organization and ways of realization of the strategy within organization mainly from the perspective of human resources (Lawler, 2005). As mentioned above, HR Business Partner should influence decisions concerning human resources. He should also be able to suggest a suitable HR strategy, based on the correct estimation of the future development of the organization and its implications for human resources (Armstrong, 2005). To his decision making he needs a lot of information. Therefore, it is crucial for him to be accepted by others in the team of managers. For this reason, HR Business Partner should be able to correctly set up the process of defining, monitoring, comprehensible reporting and evaluation of the impact of human resources on the business of the organization in order to convince managers about the meaningfulness of his role (Svoboda, Schroder, 2001). Researches show that the view of the role of human resources in organization is really changing nowadays. This trend is documented in Figure 4. Human resources function is shifted from administrative to strategic level. This trend must be reflected by HR structure transformation.

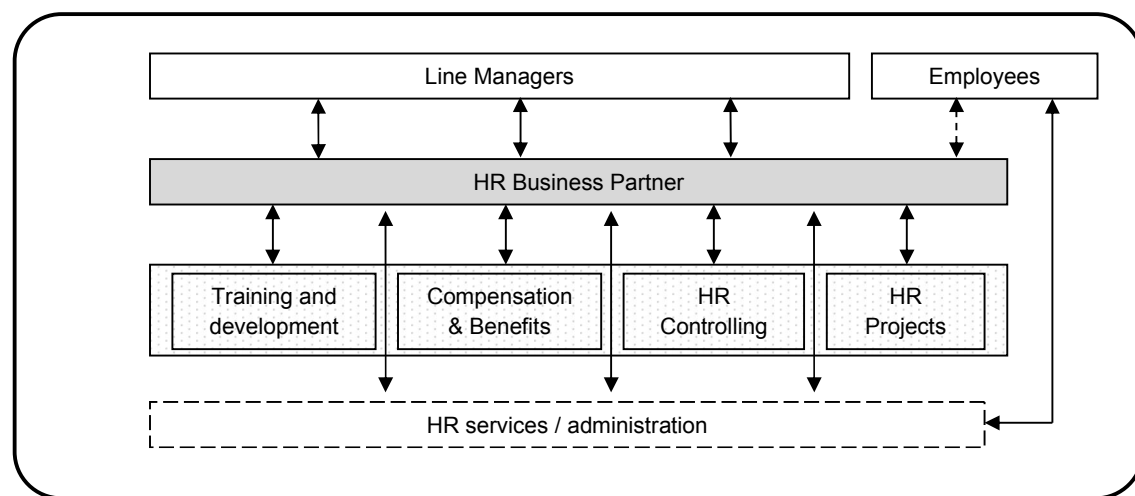
2 HR structures reflecting HRBP model in Czech organizations

The following text specifies some aspects of the transformation of HR departments in two organizations from different sectors (finance, chemistry) reflecting the HR Business Partner model. It focuses on the following aspects: issues of transformation, a new structure of the HR department, the specifics of the role of HR Business Partner (or an adequate role in the HR department).

2.1 Transformation of the HR department in organization from the chemistry sector

Values in human resources of the company are: strategic partnerships, value added, reliable service, international orientation and change promotion. It was decided to transform the structure of the human resources department on the basis of these values. The main objective of this transformation of HR department was to become a respected partner for other departments of the company. The entire transformation process has been focused on the design of a system of professional HR service center. The aim of this system is the standardization of key HR processes and internal customer approach, including their measurability. The system should also lead to economization of administrative processes in human resources, implementation of a consistent reward system throughout the organization, improving human resources controlling and reporting.

Fig. 5: Structure of HR department in the organization



Source: Internal reports of the organization (adapted by the author)

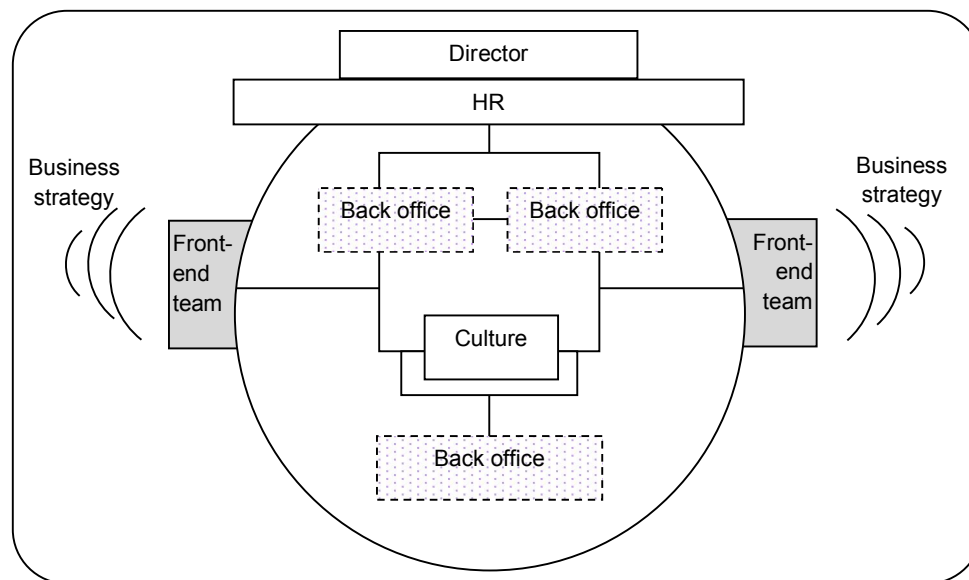
Previously, the HR department was divided into front office and back office. During the transformation there was created new position of HR Business Partner. This role has been assigned to some initial HR internal consultants. The range of activities of HR Business Partner in this organization is to provide broader support for assigned internal customers and it comprises more responsibilities than the role of HR consultant: responsibilities for HR processes, implementation of HR standards, participation in business projects, co-operation with internal and external services providers, ensuring the adaptation of new employees, solving operational issues and daily agenda from the perspective of human resources. Back office consists of four expert teams that focus on training and development, compensation and benefits, HR controlling and HR projects. The HR administration department provides routine

HR activities. The diagram in Figure 5 illustrates the link between HR Business Partner and line manager. HR Business Partner solves requests from assigned line departments either alone or passes them to the back office. In connection with this scheme it is possible to define the main responsibilities within the HR department. Back office departments are responsible for making tools (e.g. performance management) and HR Business Partner role is responsible for their implementation.

2.2 Transformation of the HR department in organization from the financial sector

The transformation of human resources has been done due to the changes within organization. Its primary purpose was to change the perception of the role of human resources in the organization - become a full-fledged strategic partner to the management of the organization. New values that HR department has stated were: transparency, events, positive influence on business and measurable success. These changes also had to reflect the structure of human resources. There has been a front office or front-end team and back office created. There was emphasized especially quality of people in the front office team during the transformation. The diagram in Figure 6 illustrates the assignment of roles in the human resources department after his transformation. Front-end team operates as an imaginary ear service through which department listens to business strategy. Back office consists of competence management department, which comprises recruitment, knowledge management and career development, and performance management department, which includes payroll department and HR reporting (information management).

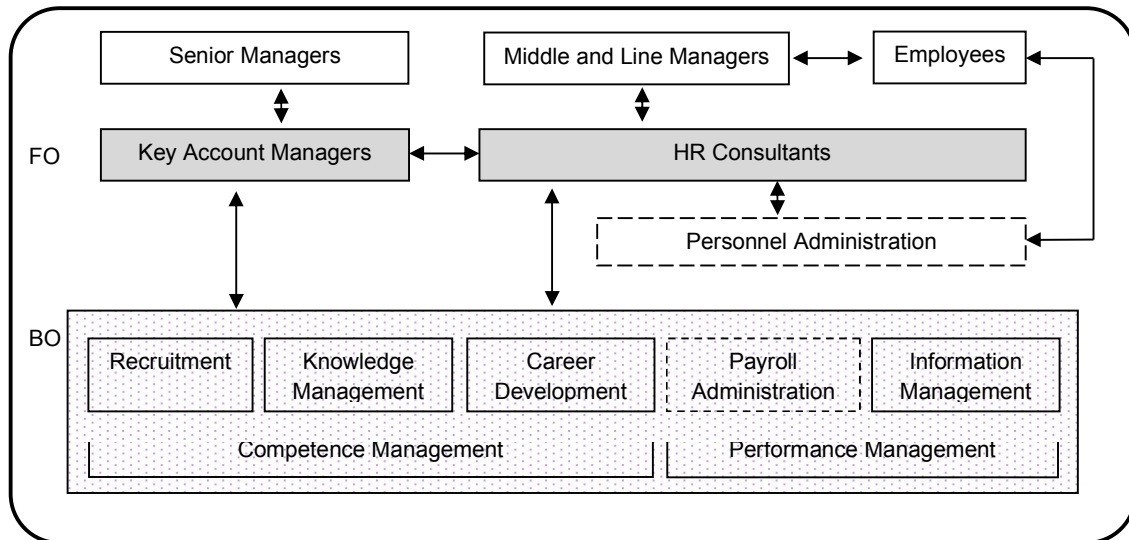
Fig. 6: Perception of HR roles in the organization



Source: Internal reports of the organization (adapted by the author)

HR Key account managers and HR consultants represent a front-end team. HR Key Account managers represent a HR Business Partner role for senior management (directors and top management level), while the HR consultants are HR Business Partners for middle and low management level. The key purpose of HR key account manager is to create sophisticated solutions in the field of human resources based on the needs of line management. He is responsible for the high quality of response to these needs from the central personnel units (back office). It represents a contact point between these units and internal or external customers. The main tasks of HR Key account manager are consultations of number and structure of the departments and the number of positions in those departments, all depending on the HR strategy, cooperation in the creation of agenda descriptions of new departments and their positions, including their competency profiles, active participation in recruiting senior managers and strategic positions, planning development activities, designing nominations in corporate development programs, cooperation in designing HR KPIs system etc. This role requires a specific profile of employees, which includes the ability of the general orientation of HR, but also a very good knowledge of the functioning of business in assigned departments and related areas such as financial management, controlling, marketing and project management.

Fig. 7: HR delivery model in the organization



Source: Internal reports of the organization (adapted by the author)

Conclusion

Both companies recognize the importance of human resources in achieving their business goals. They are very dynamic organizations with a leading position in their fields. Transformation of the human resources department was mostly linked to changes throughout the organization as a reaction to market trends and the competitive environment. The main objective of the transformation in human resources is an effort to change the perception of the role and importance of the human resources department in organization that wants to become a respected and equal partner to senior management and be involved in strategic decisions. Another goal is to strengthen customer focus and improve the quality of HR services to internal customers. Another moment is better measurability of processes in human resources, their simplification, standardization and economization. Last but not least, cost optimization and improvement in controlling and reporting. The new structure of the HR department in both organizations is divided into front office and back office. Back office is represented by expert teams or administrative departments. Expert teams are mostly focused on the development, knowledge management and training, compensation and benefits or recruitment. Furthermore there are departments dealing with HR Controlling, HR projects and information management.

Front office is represented by a newly created function HR Business Partner. His daily work load is characterized by little differences in each organization. Somewhere it is closer to the role of strategic partner, sometimes he performs rather the role of internal HR consultant. Regarding the competence profile of HR Business Partners, it is possible to formulate the following requirements: good understanding of the business, analytical skills, constructive approach to problem solving, ability to perceive the need in advance and act proactively, be communicative, have organizational skills, be a natural authority.

As the benefits of this transformation in the Czech organizations there are communicated better quality of HR services, cost reduction due to the lower headcount, higher efficiency and standardization of processes, but also directing efforts to the strategic HR activities.

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Contact

Marek Stříteský

University of Economics, Prague

Nám. W. Churchilla 4, 130 67 Praha 3

stritesm@vse.cz