The 21st Century HR organization

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Summary Box- Managing HR in CEE:

HR landscape in CEE has been changed over the years. In the past it was initially a Western staff based in a Western European city responsible for HR operations in CEE. Then it was a CEE national who re-located to the headquarters. These days, many members are CEE nationals based at CEE headquarters located in CEE capitals – some working for an emerging group of CEE multinationals. In other words, couple trends can be recognized:
First, the Western staff were increasingly replaced in their CEE responsibilities by CEE nationals (the pool of talent in CEE gradually developed and was sufficiently rich to cover these positions). Second, the multinational companies in their search for cost cuts realized that the location of the headquarters in CEE makes sense. Third, some Central European companies formerly run in only one country began operating internationally, primarily in neighboring countries of CEE....
Last but not least HR practices in CEE will never become a copy based on the western or US practices. It will come more into line with some of the best practices, however it will remain CEE, where the different aspects of business practices and value systems has to be respected.

HR departments are increasingly expected to operate as a business within a business rather than as a disconnected and isolated set of HR practices. As such, like any business, HR departments and other staff groups must have
- a vision or strategy that defines where they are headed,
- a set of goals (objectives, outcomes or deliverables) that focus the priorities for the work and investments essential to carrying out this vision
- and last but not least, there must exist an organization structure that allows HR to accomplish these goals.
The vision of an HR department is to create value for key stakeholders:
- employees have the right set of competencies and are committed to the organization and its goals
- line managers have increased confidence that business strategies will be executed
- external customers buy more products or services resulting in greater loyalty and customer share
- investor confidence leads to increases in market value through recognition of the company's growth prospects as measured by intangible shareholder value
- communities in which organizations participate have more confidence in the organization's ability to deliver on its social responsibilities

The value of HR's contributions has traditionally been measured by easy-to-measure activities (e.g. number of hired employees in the given period of time, the percentage of employees who receive more than 40 hours of training per year etc). However, HR departments are better assessed by the outcomes created that support the company's objectives.

These outcomes generally may be defined as the capabilities an organization requires for its strategy to succeed on a sustained basis. For example:
- organizations may require competitive superiority in speed to market (a consumer products firm bringing new products to market)
- collaboration (a firm growing through mergers and acquisitions)
- culture change (a firm trying to shift its firm brand to be more connected with new customer expectations)
- efficiency (a firm competing on price)
- service (a firm working to deepen relationships with key customers on grow position in a new customer segment)
- innovation (a firm competing based on the creation of new products and services)
- accountability (a firm focused on meeting deadlines)
- leadership brand (a firm focused on building confidence in the quality of its leaders as competitive tool)

These and other capabilities represent what the organization is known for and this identity may be enhanced because the HR practices are aligned with the desired capability. For example, alignment enables and organization's efforts in recruitment, development, communication, compensation, and work design to be more effectively integrated around the capabilities they are trying to deliver. Tracking and measuring an organization's capabilities shift the focus of HR from activities to outcomes. Capabilities become the HR deliverables that show up in employee value propositions, investor intangibles and firm brand.

How to organize the HR department so that the vision of value and the outcomes of capabilities occur?

There are two basic premises:
- it should be organized to mimic the business organization in which HR operates (being single/functional business, holding company or allied/diversified organization)
- it should reflect this business organization structure by adapting key roles and responsibilities through the organizational model of HR function
In accordance to those two premises, an HR department which facilitates the achievement of value creation and capability enhancement has five distinct and overlapping roles and responsibilities:

- HR as service centers where administrative tasks are more efficiently performed in a centralized, standardized way. Besides, the maturation of IT has also contributed to the growth of service centres and the ability to locate them in lower cost geographies (e.g. India, Eastern Europe)
- as corporate HR where professionals create a consistent cultural face and identity for the corporation, shape the programs to implement CEO’s agenda and ensure that all HR work is aligned to business goals
- as embedded HR where HR professionals work in organization units defined by geography, product line, or functions such as research and development or engineering. They work directly with line managers and each organizational unit leadership team
- HR as centers of expertise operate as specialized consulting firms inside organization – depending on the size of the enterprise, they might be corporate wide or regional (e.g. CEE) or country-based (e.g. Germany). They act like businesses that have multiple clients (business units) using their service. Their financing is based on chargeback formula plus an overhead charge for basic services, in some cases it is set to recover costs and in other cases it is comparable to market pricing
- HR as operational executors combine some of above mentioned models and thus avoiding drawbacks of each

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- How looks the future Profile of the HR Function like?
- HR Function: today's challenges and tomorrow's directions
- What are trends for HR function's organizational form in CEE as opposed to Western practices
- How the efficiency of HR function should be measured?

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