Functional Area #5: Structure of the HR Function

(Behavioral Competencies: Business Acumen, Critical Evaluation, Consultation)

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HR’s Role in the Organization

Participate in developing organization’s business strategy

HR’s Role

Align HR strategy to organizational strategy
Support other functions in their strategic roles
HR’s Integrated Roles

- Finance/Accounting
- Sales/Marketing
- HR
- Research and Development
- Operations
- Information Systems

- Administrative
- Operational
- Strategic

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Changes Influencing HR

- Workforce/workplace changes
- Globalization
- Ethics
- Organizational growth/retraction
- Increased accountability
Consultation Competency

• How have you used your awareness of internal and external changes to guide the decision making of your stakeholders (e.g., discussing the impact of trends in workforce skills with function leaders)?

• Which of your knowledge, skills, abilities, or other characteristics have been useful in consulting with stakeholders?
Core Business Functions

Executive management is responsible for core functions and organization’s overall performance.
Finance and Accounting

- Plans, processes, documents, and accounts for financial resources.
- Applies budgeting approaches.

<table>
<thead>
<tr>
<th>Budget Type</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zero-based</td>
<td>Each unit or goal is ranked, and available funds are allocated with budgets starting at zero.</td>
</tr>
<tr>
<td>Incremental or line-item</td>
<td>Traditional approach; prior budget is basis for next budget.</td>
</tr>
<tr>
<td>Formula</td>
<td>Different units receive varying percentages of budget.</td>
</tr>
<tr>
<td>Activity-based</td>
<td>Based on how much it costs to perform activities; funding based on strategic significance of activities.</td>
</tr>
</tbody>
</table>
Marketing and Sales

• Bring in revenue.
• Develop intelligence about customers, competitors, and markets.
• Position and sell products/services.

R&D

• Generate future revenue through new product design and development.
• Needs to attract, develop, and retain talent.
## Operations and IT

<table>
<thead>
<tr>
<th>Operations</th>
<th>IT</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Develops, produces, and distributes products/services.</td>
<td>• Makes business intelligence available across the enterprise.</td>
</tr>
<tr>
<td>• May be globally dispersed and involve external partners.</td>
<td>• Manages systems for future growth, cost efficiencies, and security.</td>
</tr>
<tr>
<td>• Requires complex logistics and sophisticated planning.</td>
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</table>
Role of HR

• Understands the organizational goals and the role each function plays.

• Serves as a cross-functional bridge:
  – Facilitates cross-functional understanding and collaboration.
  – Advises core functions on how to align with organizational strategy.
  – Identifies and supports need for resources or training.
  – Locates talent dispersed throughout the global organization.
Business Acumen Competency

• How has your knowledge of other business functions and your organization’s business influenced specific actions by HR (e.g., understanding the type of experts needed by R&D and future trends for that need)?

• Which of your knowledge, skills, abilities, or other characteristics have been useful in responding to this challenge?
Organizational Design

- Business life cycle
- Strategic orientation
- Size and scope
- Necessary functions
- Communication
- Decision making
Structural Principles

• Decision-making authority
• Layers of hierarchy
  – Chain of command
  – Span of control
• Formalization
## Organizational Structures

<table>
<thead>
<tr>
<th>Type</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
</table>
| **Functional** | • Easy to understand  
• Specializations develop  
• Economies of scale  
• Communication within functions  
• Career paths  
• Fewer people | • Weak customer or product focus  
• Potentially weak communication among functions  
• Weak grasp of broader organizational issues  
• Hierarchical structure |
| **Product** | • Economies of scale  
• Product team culture  
• Product expertise  
• Cross-functional communication | • Regional or local focus  
• More people  
• Weak customer focus |
| **Geographic** | • Proximity to customer  
• Localization  
• Quicker response time  
• Cross-functional communication | • Fewer economies of scale  
• More people  
• Potential quality control |
Organizational Structures, Continued

<table>
<thead>
<tr>
<th>Type</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Front-back</td>
<td>• High level of customer focus</td>
<td>• Possible conflict between front and back (for example, explaining drops in sales by mutual accusations of poor performance)</td>
</tr>
<tr>
<td></td>
<td>• Flexibility (units can be added to meet demand for new products or emergence of new customers)</td>
<td>• Necessity for developing new skills (customer/market focus) for all employees</td>
</tr>
<tr>
<td>Matrix</td>
<td>• Balance of standardization and localization</td>
<td>• Complexity</td>
</tr>
<tr>
<td></td>
<td>• Availability of best global talent</td>
<td>• Unclear lines of authority</td>
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<tr>
<td></td>
<td></td>
<td>• Bureaucratic behavior</td>
</tr>
</tbody>
</table>
HR Processes and Team

- Managers
  - Help create and implement organizational strategy.
  - Create and implement human capital strategy.

- Specialists
  - Collect and analyze data.
  - Ensure compliance.
  - Complete daily HR operations.

- Leaders

- Generalists
Critical Evaluation Competency

- How have you used workforce data to support specific decisions in your organization (e.g., identifying trends in attractive employee rewards)?

- Which of your knowledge, skills, abilities, or other characteristics have been useful in working with data in this way?
# HR Structural Alternatives

<table>
<thead>
<tr>
<th>HR Organization Model</th>
<th>Advantages</th>
<th>Risks/Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Functional HR</td>
<td>• Effective in enterprise with single strategies</td>
<td>• Isolation of headquarters HR from realities in the line</td>
</tr>
<tr>
<td></td>
<td>• Consistency between HQ policy and BU practices</td>
<td></td>
</tr>
<tr>
<td>Dedicated HR</td>
<td>• Promotes strategic alignment between headquarters and units</td>
<td>• Loss of shared knowledge and experience</td>
</tr>
<tr>
<td></td>
<td>• Duplications and inefficiencies</td>
<td>• Duplications and inefficiencies</td>
</tr>
<tr>
<td>Shared services and COE HR</td>
<td>• Reduces transactional activity in favor of value-creating activity</td>
<td>• Underuse of service centers</td>
</tr>
<tr>
<td></td>
<td>• Balances standardization and localization</td>
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</tbody>
</table>
Successful outsourcing/cosourcing depends on:

• Choosing the right activities to outsource/cosource.
• Alignment of contractor’s performance objectives with strategic requirements.
• Confirmation of contractor’s reliability, capacity, expertise, and ethical behavior.
Ethical Practices Competency

• How have you applied your Ethical Practices competency in contracting for HR services or performing due diligence on organizational sourcing (e.g., taking steps to protect employee data)?

• Which of your knowledge, skills, abilities, or other characteristics have been useful in responding to this challenge?
Measuring HR Performance

- Balanced scorecards
- HR audits
  - Compliance
  - Best practices
  - Strategic
  - Function-specific
- HR metrics in key performance areas (e.g., recruiting, financial management, talent retention and development)
Recognize HR’s mission to serve the organization and its functions.

Position HR as an expert in human resource planning.

Fulfill HR mission to create and maintain productive workforce.

Understand other functions and build partnerships.

Understand industry.

Use facts and figures to support recommendations.

Measure strategic success.
HR Strategic Process

Step 1: Get the big picture.
Step 2: Conduct an HR SWOT analysis.
Step 3: Develop HR mission and vision statements.
Step 4: Conduct a detailed HR analysis.
Step 5: Determine critical people issues.
Step 6: Develop HR goals, metrics, consequences, and solutions.
Step 7: Develop implementation and evaluation plan.