HR management needs a new business model

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1. Introduction

In today's working world, it is no longer the size and stability of an organisation that are decisive for success, but instead speed and flexibility. This also means that the tried and tested principle of hierarchical structure is becoming less important and is being replaced or at least supplemented by network-like forms of cooperation. This does not lead to a lesser need for leadership, but to significantly changed requirements for future managers. They have to become coaches who develop employees and teams to become a learning organisation and support them in taking on responsibility. This requires a culture of fear-free communication and cooperation, which is also referred to as psychological safety (Edmondson, 2008).

This kind of culture does not develop by itself and also not on instruction "from above", but it needs clearly defined rules and processes, but at the same time also space and opportunities for experimentation. Focus is on the values of respect, trust and appreciation, which serve as a guideline for development and, at the same time, create sustainability. The traditional transactional leadership style must at least be expanded to include some transformational elements so that an organisation can develop in this way.

These developments also mean a great need for change in HRM. A conventional HR department will be perceived as a foreign body in an agile, network-like structure and the somewhat more advanced organisational form in Human Resources Management (HRM), the Human Resources (HR) business partners in the model according to Prof. Dave Ulrich (Ulrich, 2005), will not fare any differently. Partners in HR issues for their assigned business, who can rely on the support of an HR shared service centre and specialists for demanding technical issues (centres of expertise), have to become integrated enablers who deal with their skills and instruments there where they can add the most added value according to the type of organisation and its culture of collaboration.

In the interests of uniform terminology, we use the term "HR management" in a comprehensive sense for all tasks, requirements and responsibilities in connection with the employment and management of personnel. This includes firstly professional and personal management by the line manager and secondly the tasks that are taken over by a specialist organisation for personnel. For this second part of HR management, we use the term "HRM", which is interpreted by most companies as human resources management, and a smaller but growing part also as human relations management.

In the case of a central organisational approach, a large part of the tasks of HR management is taken care of in a central HR department. In the case of decentralised organisational approaches, there is a conscious split in terms of which HR management tasks are to be carried out by executives and which by HRM professionals. With virtual organisational approaches, almost all HR management tasks are performed by executives or members/experts in a team or network. The HRM takes on the role of the enabler and moderator of relevant technical issues.

2. Design fields of HR organisation

Basically, for every organisation that deals with people or employs people, there are a number of questions and tasks that have to be dealt with. The spectrum of these tasks ranges from the preparation of an employment contract to long-term, strategic and competence-based HR planning and from preselecting applications received to developing an employer brand. What distinguishes the organisations from one another is allocating which questions are processed and answered by the management itself and which are delegated to a suitably structured HRM.

This allocation depends on the one hand on the size of the organisation, because very small companies naturally deal with strategic HR issues differently than large companies. On the other hand, the characteristics of the HR function also play an important role. An HRM organisation that primarily has its competencies in smooth, efficient administration will not be able to contribute much to the question of strategic competency development, and focussing on a good, internal service function will be in the way of a requirement for strategic control on equal terms with the financial managers in the management body (Chief Financial Officer – CFO).

With our new business model for HR management, we have therefore decided to structure HR management along design fields. The basic level of the design fields are the HR services. These are the services that most organisations consider natural HRM components. At the same time, these are the tasks that are the first ones to be delegated to this new function in a growing company that decides to set up its own HRM function. In addition, there are other design areas that deal with operational management support, the development of existing potential and innovations in HR management. The most strategic HRM design field comes into play when the person responsible for HRM is not only a formal member of the management team, but also exercises a strategic and management role there.

While the CFOs ask the management how they achieved the budget targets and what return they were able to generate with the investment funds made available, the HR managers in the management (Chief Human Resources Officer - CHRO) have to ask about the increase in the value of human capital, about the quality of collaboration across departmental boundaries or according to how profitable the investments in HR and leadership development were. Nobody from the group of CFOs would describe themselves as internal service providers, but this is still often the case with the CHROs. It is time to change this at the CHRO level, while the rest of the HRM function should, in the future, be defined by the quality of the internal service. In this respect, we need a conceptual division of HRM (see also Chapter 9).

3. New HR business model: Overview

We have developed the following model on the basis of considerations relating to the various design fields of an organisation with regard to answering strategic and operational HR questions:

Personnel management business model

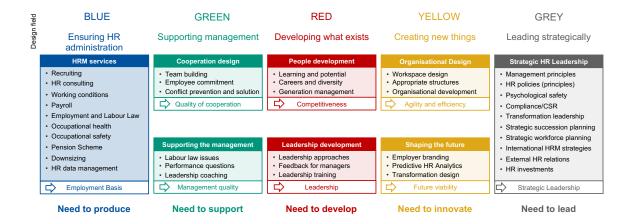


Figure 1: Overview of the new HR management business model

The model shows the various design fields in the coloured columns. In the middle three fields, a distinction is made between the overall company/employees perspective, which is shown in the top row, and the leadership perspective in the bottom row. The individual topics within the boxes are to be understood as examples of questions that arise in a typically larger company. If you want to apply the model to your own company, you should adapt the questions to the corresponding situation in your own organisation.

4. BLUE design field: HR Services

This design field forms the basis for the HR management business model. Above all, operational questions can be found here that are elementary for every organisation and that in most cases are viewed as natural components of an HRM function. The quality of the work in this field is primarily determined by consistent compliance with legal and operational requirements, but also by the efficiency of the processes and the fulfilment of internal customer expectations.

BLUE design field: HRM services

Objectives Core elements HR administration provides the company Working conditions HR consulting Positioning the company on the job market, addressing the target group, selecting candidates, organising onboarding Creating and managing employment contracts, ensuring long-term employee loyalty, contact person for any relevant questions regarding Creating attractive (financial and non-financial) working conditions thereby supporting the attractive-ness of the employer, but also with the structures instruments and naging employment processes that are necessary for the deployment of personnel. At the same time, it is the point of contact for superiors and productivity personnel employees on all issues regarding **Employment and Labour Law** Occupational health personnel. Implementing the defined working conditions in a payroll that complies Developing and controlling measures within the framework of Ensuring adherence to all labour law framework conditions (compliance), company health management with legal requirements and social contact person as an expert for insurance supervisors and employees including prevention programmes Mission HR administration is primarily defined by its Introducing and monitoring suitable measures to protect employees from Establishing and operating the employee benefits institutions Support from superiors as regards downsizing, including professional internal service function. It provides efficient, accidents and other work-related (especially pension funds), participating in the relevant leaving interviews and preparation of certificates, and if necessary, setting effective services, but also specific individual dangers to their health support tools for superiors and thus contributes to the company's success HR data management Maintenance and processing of personal data, development, collection and analysis of suitable parameters (measure the HR and management performance of the company, reporting to the relevant decision-making by with corresponding recommendations for action, in this context use of digital instruments such as big data management for acquiring relevant and up-to-date information, advice to superiors to improve their HR and

leadership performance

Figure 2: HRM Services design field

5. GREEN design field: Management support

This design field seizes the core of the role that was previously expected of the HR business partners. It is about questions that are often dealt with in close cooperation between the line manager and the HRM manager. On the one hand, this includes topics relating to the design of cooperation in the company, which, as already mentioned in the introduction, are becoming increasingly important in modern, agile structures. The article "Cross Silo Leadership" (Casciaro, Edmondson, & Jang, 2019) shows very clearly that for most employees the vertical relationship to their superiors is of the highest importance, but that, at the same time, the quality of the horizontal relationship between employees in different areas brings the most significant customer benefit.

On the other hand, in this **GREEN** design field, there are also questions about direct management support, because people are, above all, still entrusted with management tasks without having been specially trained for them beforehand, and they lack specialist knowledge for that reason alone. Experienced managers also appreciate the professional advice from HRM experts, for example when it comes to questions of labour law or questions of measuring performance.

GREEN design field: Management support

Objectives

In its function as management support, HR management is there to help when specific questions regarding cooperation within an organisation need to be solved. Consistent handling should ensure smooth operation and fair treatment of all employees.

Mission

In this function, HR management is not only a service provider, but also has an active influence on cooperation and thus on workplace harmony. In contrast to HR administration, which can also be carried out externally where necessary, this is about a role that is integrated into management and that has to be performed internally.

Core elements

Cooperation design

Team building

Provision of suitable instruments and formats in the context of team building and the development of new forms of collaboration, assumption of a moderation function in the design of the ability to cooperate

Employee commitment

Advice and support for executives as to employee commitment, development and provision of appropriate instruments, design and implementation of appropriate surveys

Conflict handling

Designing concepts and specific measures for detecting conflicts early, advice and support for executives in resolving conflicts and organizing external mediation when necessary

Supporting the management

Labour law issues

Advising and supporting superiors in labour law issues, representing the company in labour law disputes, training newly appointed managers in labour law issues

Performance questions

Developing and operating a performance management system, which is tailored to the needs of the company, advising and supporting superiors in analysing performance issues and taking appropriate

Leadership coaching

Supporting and coaching executives, especially for dealing with changes, providing suitable instruments and strategies as well as ensuring sufficient operational "change readiness"

Figure 3: Management support design field

6. RED design field: HR and leadership development

While the **GREY** design field can be found in almost all companies with a pronounced HRM function and most of them are also active in the **GREEN** design field, the number of organisations in which HRM actively deals with HR and management development is significantly lower, especially for smaller companies. In this design field, the emphasis is no longer predominantly on operational issues, but strategic aspects are becoming more important. The development issues that arise here are primarily about increasing the value of existing human capital and making the organisation fit for the future by expanding the range of operations (employability).

RED design field: People and leadership development

Objectives

Advanced and progressive HR management places special emphasis on the development of the executives and the employees. It's about recognising existing potential and developing strengths, both personally and organisationally.

Mission

One of the most important success factors for companies is the ability of their workforce to deal with change and uncertainties. HR management plays a key role in this by implementing the required concepts and enabling management to carry out change leadership.

Core elements

People development

Learning and potential

Use of modern methods for iden-tifying potential and for analysing individual strengths, providing training and further education as well as coaching to expand professional and personal skills

Careers and diversity

Designing and using HR development and diversity management programmes, defining specialist, project and management careers including corresponding competence requirements and promotion guidelines

Generation management

Developing and introducing concepts and programmes to and to ensure employability of the various generations, and promoting cooperation regardless of age

Leadership development

Leadership approaches

Adapting suitable management concepts to the needs of the own company and coordinating them with the company's management, developing management guidelines and corresponding management profiles

Feedback for managers

Developing feedback systems that an be used to map the quality of leadership, considering the expectations of all relevant stakeholders and training superiors so that they know how to apply them

Leadership training

Actively supporting the (further) development of superiors and their leadership skills through suitable external and internal training courses, especially in the area of social skills and self-management

Figure 4: HR and leadership development design field

7. YELLOW design field: Innovation function

Probably the most demanding design field in the area of the HRM service dimension is found in the areas in which new things are designed. HRM becomes, so to speak, the architect of human capital, designing the structures as well as working spaces. In addition, it is about longterm concepts for including employees in decision-making processes, which is a prerequisite for agile leadership to function. One should not forget the creation of an attractive employer brand and data-based forecasting instruments for strategic HR management.

YELLOW design field: Innovation function

Objectives

Adility and adaptability are increasingly becoming key success factors. In this sense, HR management must develop structural and HR options that enable a successful transformation. This is about creating the framework conditions and expanding organisational learning skills.

Mission

An agile and adaptable organisation can only succeed if HR management is agile and adaptable and, in this way, establishes itself as an integrated, but also an integrative part of the transformation. HR leadership becomes change leadership, and its function changes from service-orientated to creative.

Core elements

Workspace design

Design of workplaces and environ-ments to support agile forms of work and collaboration, but also to enable "deep work", introduction of workshop methods that promote innovation (e.g. design thinking)

Organisational Design

Appropriate structures Reflecting on existing structures and designing new forms that are adapted to the needs of the company coordination with the existing service

Organisational development

Creating effective and sustainable organisational development and a framework for change within which structure, culture, values and corporate goals are synced

Shaping the future

preventive measures to avoid

negative developments

Employer branding

Developing and placing an attracti employer brand based on future skills requirements, defining the relevant target groups and labour markets, getting managers involved as creators of the employer brand

Predictive HR Analytics Transformation design Developing (big) data in order to be able to generate prognoses for the behaviour of individuals and teams, considering ethical issues, deducing

Creating prerequisites and designing a framework in which executives calfulfil their role as change leaders, use of suitable monitoring systems to measure the success of change

Figure 5: Innovation function

8. GREY design area: Strategic HR management

This most strategic HR management field differs from all other fields by the rapidly decreasing importance of internal service orientation and the greatly increasing importance of the strategic management function. It is all about a new balance between financial capital and human capital. While in the vast majority of companies, despite various lip services to the great importance of employees, the financial function still has priority, modern, agile companies are looking for a suitable management system for human capital.

The new functions for controlling human capital, if they exist at all, rarely have traditional names such as HRM or HR management. Terms such as "learning and development" or "people development" are more common, which has to do with the fact that one wants to clearly differentiate strategic HR management from the service functions of the BLUE, GREEN, RED and YELLOW design fields.

The balance between the responsibilities for financial capital and for human capital must be a central goal of modern corporate management: CFOs and CHROs - each for their department - specify the strategy, goals and framework conditions and evaluate the management according to the degree of goal achievement, regardless of whether it is still organised in traditional hierarchies or new forms of collaboration such as followership have already been introduced (Mihalache, Jansen, Van den Bosch, & Volberda, 2014). But just as the CFOs do not take on the operational responsibility for individual budget compliance of the management, the CHROs are not allowed to delegate operational HR management on the part of the superiors.

The following figure shows an example of the tasks that could be the responsibility of the CHROs if the company wants to fill in the GREY design field professionally and is ready to lead the HR function on an equal footing with the finance function.

GREY design field: Strategic HR management

Objectives

HRM develops an integrated, strategic management role, defines as the moderator of the management the framework conditions for the management and the HR policy in the company and controls the corresponding reporting including deduced development measures for the management.

Mission

In its strategic role, HRM assumes management responsibility in the area of human capital and thus forms a counterpart on equal terms to the financial function (responsible for financial capital).

Core elements

Management principles

Defining and designing management principles as well as bases and criteria Defining goals, rules, methods and instruments to ensure an integrated for measuring the performance executives in the area of HRM

Compliance/CSR

Using suitable measures at the HR level so that the management of the company can meet its legal and social viability in the area of management

Strategic workforce planning

Planning the quantitative and qualitative HR requirements of the company, then deducing the necessary goals, tracking and measuring the achievement of goals

HR policies (principles)

Transformation leadership

Defining and designing fundamenta change processes to secure future

International HRM strategies

Establishing transnational HRM principles and guidelines to strengthen cross-border cooperation within the own company and with partner companies

Psychological safety

Introducing concepts and measures to strengthen trust, respect and

Ensuring a reliable staffing plan for key positions including the relevant individual development measures

External HRM relations

example to business schools, NGOs, but also politics

HR investments

Creating a common business understanding of human capital and ensuring that the recruitment, deployment and development of people are not only viewed from the perspective of the respective HR costs, but also as investments, and that in this sense the corresponding key figures (especially return on investment) can be developed and used in order to be able to make corporate decisions on human capital and financial capital on a comparable basis

Figure 6: Strategic HR management design field

It is important that stronger integration of human capital management in corporate management should not be confused with the delegation of managerial functions such as assessments or problem discussions to HRM. These functions are the responsibility of the superiors, also and especially in modern, agile structures.

9. Implications for the organisation of HR management

If you look at the tasks in the various design fields, the institutional question also arises of how HR management should be best organised. The starting point is clear: all the tasks presented are relevant and must be assigned to an area of responsibility. A first rough breakdown comes about from the two areas of responsibility of HRM and line organisation. Each company has to decide for itself, with regard to each HR management task, whether the line managers are responsible or whether they are assigned to HRM.

This division can also lead to an institutional division of HRM. While a small part deals exclusively with the blue tasks and the management of this part is an integrated part of the executive management, the larger part of HRM would cover the service dimension and take on the tasks in the other design fields.

To date, most companies have organised their HRM in the form of teams or departments, which in turn are linked to line management via a technical reporting line ("dotted line"). Conversely, others have placed HRM directly under the line management and established a technical reporting line for central HRM management.

Models go one step further in which each decentralised HR management has central, company-wide specialist responsibility. Specifically, the HR management for one of the group divisions could also have specialist responsibility e.g. for management development concepts or for IT issues in HR management for the entire company. With such a combination, it can be ensured that there is a close connection to the area, and at the same time, the perspective of the overall organisation is not neglected. It would be conceivable to organise the elements of the design fields **BLUE** and **GREEN** according to area and to establish company-wide responsibility for the elements of the other design fields.

HR organisations that focus on individual competencies are even more geared towards cross-departmental cooperation. It could look like there is, for example, a group of "people development specialists", who are assigned to certain line areas, but at the same time, form a group in which company-wide development concepts are worked out and decided on.

Companies that are already structured in a very agile way have often defined the functions of HRM in corresponding roles and have, in this way, integrated them into their management circles. In addition, a special group was usually formed to deal with HR management issues such as "Learning & Development". In this case, an important aspect is the responsibility for filling roles, i.e. to what extent a group that deals with production, for example, is autonomous in filling the corresponding HRM roles or whether and in what way an overarching HRM group provides competent advice or recommendation for the production group, in this case.

What must be considered in the context of an agile organisation is the clear assignment of responsibilities to line or HRM organisation. On the one hand, it is a matter of taking into account the different complexity of HRM tasks, but on the other hand, also the degree of social dynamics and the degree of social influence required. While the complexity dimension is about mapping the increasing technical requirements for professional HRM, the dimension of social dynamics shows how the need for direct guidance by line management is increasing. The graphic below shows these relationships based on a model by Prof. Dr. Armin Trost (Trost, 2018, S. Seite 3):

Roles in an agile HRM organisation

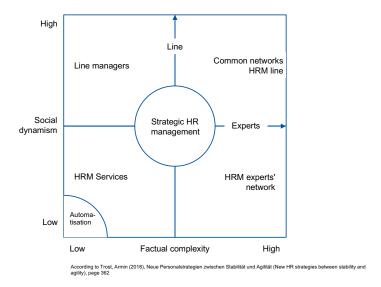


Figure 7: Roles in an agile HRM organisation

This model according to Trost is well suited as a basis for the structure of a very agile HRM organisation.

10. Structural options and approaches

The starting point for most companies is the well-known HR Business Partner model according to Dave Ulrich (Ulrich, 2005), which looks roughly as follows:

"Traditional" HR business partner model

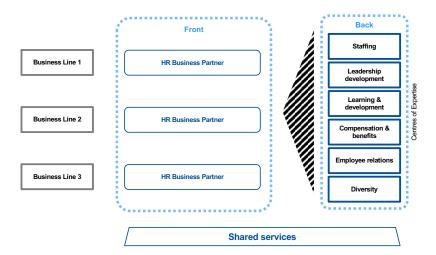


Figure 8: "Traditional" HR business partner model

When the entire organisation is on the way to becoming more agile, this affects HR management organisation in a special way. In addition to the adjustments in management, HRM organisation must also gradually become more flexible. In a first phase, this could mean a reallocation of the functions in the sense of our HRM business model, whereby the **blue**, **green** and **grey** functions are exclusively assigned to HRM, while the **red** and **yellow** ones are more open and geared towards cooperation (co-creation) with the line (see image).

New HR business partner model

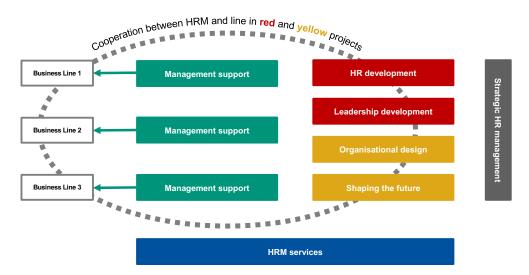


Figure 9: New HR business partner model

The management support functions are derived from the previous HR business partners and focus on the **green** design field. The **blue** HRM services unit emerges as an expanded form and is characteristic of today's shared services. The most important difference to the previous organisation is the active inclusion of the line in the **red** and **yellow** design fields in terms of joint project responsibility. Depending on the development goals and status of the overall organisation in terms of agility, HRM could also experiment with transitioning from a function-based to a role-based organisation in this phase. For example, the content of the **red** and **yellow** design fields could be gradually transformed from functions into roles.

A possible HRM target structure must adapt to the structure of the overall organisation. If the company is or wants to become an agile network organisation, HRM must also set itself up as a role-based network, free of traditional hierarchy. As an example, the following graphic shows that the focus should be on strategic HR management (corresponds to the **GREY** design field), which in turn defines the guidelines and the framework for the decentralised, agile HRM units. The former HR business partners are replaced by HRM experts who are structurally fully integrated into the (agile) line structures and can act professionally and autonomously. In addition, there are HRM networks that are represented both by line and HRM experts, who take care of processing central tasks and HR management projects, such as HR and leadership development or future organisational design. The colours in the diagram represent the various HRM design fields.

Network Shaping the future of HR Strategic HR leadership Network with members from the line and with HRM experts Network with members from the line and with HRM experts HR and leadership development HRM experts HRM experts HRM experts HRM experts integrated into the line organisation

Example of an agile HR management network

Figure 10: Example of an agile HR management network

In terms of consistent HR management, the structure of HRM must adapt to the line organisation. HRM, which is structured traditionally as a department, will be a foreign body in an agile, network-like organisation, just like autonomously organised HRM in a hierarchical structure. Conceptual considerations and examples for this arose, among other things, in an organisational study by the Raiffeisen Group in Switzerland (Bösch & Mölleney, 2018).

11. Summary and prospects

The present HR management business model does not assert a claim to be final and conclusive. It is deliberately open to additions and further developments, but especially also for individual adaptation to one's own organisational reality. It should help structure the very different expectations of modern HR management in a suitable form.

The structural approach across the various fields of HR management appears suitable for integrating the HRM function into the development of the organisation for which it is intended. However, the approach should not be misunderstood as a goal, because not all HRM organisations have to reach the **GREY** design field in order to be considered successful. It can be quite sensible and effective to limit the HRM function to the service-oriented design fields or even to only a part of them, and to have the strategic HR questions in the area of corporate management processed and answered directly by the management.

Ricardo Semler, charismatic boss of the very successful company Semco in Brazil, once put it this way: "The only valuable thing we have in our company is people. Why should we have a department for people?" (Semler, 2014, from minute 6:05). For him, strategic and operational HR management are not delegable tasks for managers.

Statements from HRM managers in the context of further training events at the HWZ University of Applied Sciences in Business Administration Zurich have shown that most HRM organisations have a strong foothold in the tasks of the **BLUE** design field, while their other current focus of activity has little or no integrated individual topics from the **GREEN** and **RED**, partly also **YELLOW** fields. It has also been shown that the activities in a more strategic or more creative field are often not very successful if the HRM organisation has even larger gaps in the upstream, more service-oriented fields. For example, it is not very promising to deal with "predictive HR analytics" if there is no basis for well-supported HR and leadership development.

The fact that HR management becomes better when its individual components are interlinked, and the whole is well integrated into the company's management, was already illustrated by Prof. em. Martin Hilb in 1994 in his book "Integriertes Personalmanagement" (Integrated Personnel Management) (Hilb, 21. Auflage, 2014), of which the 21st edition has been published. This integration into corporate management will become even more important in the future when traditional, hierarchical structures dissolve or at least are supplemented by agile forms of collaboration. One example of this is the "Beyond Leadership" approach, which can lead to a strengthening of cross-departmental cooperation in a very short time (Mölleney & Sachs, 2019). But there are also other, better prerequisites than in 1994, because today we have completely different framework conditions with digital technologies and novel structural approaches such as sociocracy (Rüther, 2018). They are waiting to be used even more consistently, also and especially by HRM. Perhaps we will soon see completely different functional names for HRM, such as "Collaboration Architect" or "Psychological Safety Enabler".

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