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Navigating the Future: Assessing the Relevance of HR Operating Models



Given the profound shifts taking place in the world of work today and the fact many HR functions continue to struggle to make or prove strategic business impact, there is increasing interest and discussion on what the appropriate HR operating model for the future looks like. In this CHRO briefing we use the best available evidence to explore areas including:

- The drivers behind calls for a radical rethink of how HR operates and is structured
- The various options available for CHROs looking to restructure their HR operating model
- Whether the volume of noise around a 'new' HR operating model is truly reflective of reality in organizations, or whether Ulrich still reigns supreme (and why).

Key insights

Organizations and HR functions worldwide are grappling with a profound series of challenges: economic uncertainty, ongoing geo-political tensions, stalled productivity, increased employee and stakeholder expectations, a wave of industrial unrest, and skills and talent shortages compounded by demographic shifts such as a rapidly aging workforce – to name but a few. Dealing with these and staying on top of the opportunities and risks offered by the increasingly frantic pace of technological change, most notably around Generative AI, has led many CHROs and leading HR thinkers to question the efficacy and suitability of functional operating models.

Indeed, despite common rhetoric about the elevation of HR to strategic business partner and the promotion in most organizations of the CHRO to the 'top table', many HR functions can still struggle to make or prove strategic business impact, focusing on inward-facing processes over outward-looking impact. Is the structure of HR operating models to blame, with too many businesses continuing to rely on the 1990s Ulrich model, which may no longer be fit for purpose? Or is blaming the model, rather than examining other issues such as implementation or capability, a convenient 'get out of jail free' card that encourages excessive navel gazing at the expense of getting on with driving strategic value?

To help answer these questions and cut through the noise around HR operating models, Senovis has curated the best insights from a range of resources. Here are our topline insights to help CHROs consider whether operating model change is right for their function and organization, and what new approaches are out there – and read on for summaries and links to the most relevant, thought-provoking and useful content...

- While there is no shortage of reports and lengthy articles exploring the need for a new HR operating model, there is not much academic evidence in this space. This means CHROs should be discerning when reviewing the wealth of content from consultancies on this topic – suggestions for radical change may be intriguing and thought-provoking but ultimately come attached to a hefty price tag for assisting with the implementation of a new model.
- Both Dave Ulrich and colleagues (in their paper 'What makes an effective HR function') and HR commentator Marc Effron (in the Talent Strategy Group's 'HR Operating Model Report 2023') have reflected that many of the emerging HR models remain based on Ulrich's original model and his thinking since, a classic case of 'old wine, new bottles' in a field where many practitioners are eagerly searching for something fresh to solve the age-old problem of HR delivering business value.
- But that doesn't mean change isn't required. The world of work is evolving fast and organizations increasingly recognize the need to inject more agility, adaptability and dynamism into their HR functions. The growing potential of AI to automate and streamline many HR processes will also drive a necessary rethink in how functions are staffed, structured and deliver services.
- Agile is not just a fad. There are lessons to be learned from agile methodologies for organizations of all shapes and sizes. While adopting a fully agile approach might not be appropriate for every business, a mindset shift around thinking about end-to-end HR 'products', rather than a series of disconnected initiatives, can be a powerful tool for any HR team.
- 'Boundaryless HR', as Deloitte terms it, requires CHROs to increasingly think outside their function and organization. As the external landscape shifts and ESG becomes more vital, the CHRO role must become more externally oriented within the firm's ecosystem.
- Whatever operating model you choose, whether radical rethink or evolution, don't skimp on implementation. HR and business leaders must be trained in how the new model operates. Not paying close enough attention to implementation is likely what causes models to fail, as roles, responsibilities and accountabilities remain unclear. HR capability must also be addressed: simply changing roles and structures will not solve gaps in HR capability.

Academic papers and reports round-up

A strategically aligned HR operating model

by USC Marshall Center for Effective Organizations

In brief: Despite rhetoric around HR moving to become a strategic partner, in too many organizations the function continues to struggle to deliver measurable business value, remaining too focused on inward-looking processes. Instead, HR needs to move to an outward-facing approach with a clear focus on driving business outcomes via the alignment of capabilities with strategy execution. This requires the realignment of HR and talent processes to workforce and organizational capabilities and outcomes, ensuring direct line of sight between the two. While intentions may be good, legacy HR models can hold this outcomes-focus back. The paper suggests a total reorganization of the HR operating model to focus overtly on delivering strategic value through capabilities.

What it means: There are three options for HR functions looking to reorient their operating models in this way: redirecting people and existing roles towards capabilities, increasing headcount to focus on capabilities or redesigning the entire function around delivering capabilities (the most effective option). This proposed structure places HR into four buckets: workforce capability planning, people processes design and management (more traditional HR work), data management, productization and listening, and transformation (including supporting leadership and management capability).

[See Source](#)

What lean management means for HR functional capability

by Professors Paul Sparrow and Lilian Otake-Ebede, Lancaster University

In brief: Lean thinking – a management philosophy and operations approach focused on reducing waste and increasing efficiency – has long been popular in manufacturing contexts but is increasingly so in white-collar environments. Implementing a lean approach requires changes to systems, HR practices, competencies, employee role behaviors and knowledge portfolios, as well as to culture, cross-functional team working and top management capability and commitment. While in manufacturing, HR knowledge and technical ability and organizational skills such as leadership and change management are critical, in white-collar contexts HR also need to be expert in problem-solving and display assertiveness, drive, resilience and strong personal values.

What it means: For lean thinking to be successfully implemented into a white-collar environment, HR needs to rethink its functional capability and processes. HR needs to devote considerable time to assessing employee role behaviors, such as the degree of repetition, degree of cooperation, leadership style, acceptance of responsibility and willingness to change. Undertaking and sustaining lean interventions requires new HR fields of knowledge and changes to HR practices across the piece, from recruitment to performance management and development.

[See Source](#)

Is the problem the model or the implementation?

by The Talent Strategy Group

In brief: Based on data from more than 200 companies worldwide, this report explores trends in HR operating models. It finds the Ulrich model continues to dominate, and purports that challenges are down to implementation issues rather than the model itself. For example, 60% of companies who have changed their operating models provide no training to leaders in the new model, and there is room for improvement in how HRBPs and CoEs work together in 44% of firms, with only 19% saying the responsibilities of the 'three pillars' are clear. With 86% of CHROs reporting directly to the CEO, the old 'seat at the table' debate is over, and HR functions continue to grow.

What it means: While nearly two-thirds of HR leaders have changed operating models in the last two years, CHROs should think carefully about implementation and operationalization of the current model rather than rushing to change for the sake of it. Typically, divisions of responsibility are unclear between Ulrich's three pillars (HRBPs, CoEs and shared services) – 26% of companies say it is not clear at all, with disagreements over ownership. New isn't always better, and the HR leadership team must be thoroughly trained in any changes.

[See Source](#)

Academic papers and reports round-up

HR's new operating model

by McKinsey

In brief: Based on interviews with more than 100 CHROs, McKinsey identifies the operating models HR leaders are turning to help them keep pace with a fast-changing world. The five models are: (i) Ulrich+, an evolution of the Ulrich model, with HRBPs taking over execution from scaled back CoEs, supported by global, digital-first business service; (ii) Agile, with fewer HRBPs (focused on working with leaders and OD), CoEs reduced to the most critical topics and resources pooled to focus on cross-functional projects; (iii) EX-driven, where key employee experience touchpoints matter above all else; (iv) Leader-led, shifting accountability back to managers, enabled with HR intelligence and tools; and (v) Machine-powered, where many HR decisions and processes are automated and HR focuses on high-touch interactions.

What it means: CHROs need to be driven by business needs and identify their most relevant 'innovation shifts'. McKinsey calls out eight such shifts to consider: agile principles; the prioritization of employee experience; re-empowering frontline leaders; more individualized HR services; the product-ization of HR services; the integration of design and delivery with end-to-end accountability; moving from process excellence to data excellence; and automation.

[See Source](#)

5 tips for rethinking your operating model

by Gartner

In brief: To create more agile, strategically aligned HR functions, Gartner proposes an operating model composed of four domains: (i) HR operations and service delivery (sitting under an HR COO), (ii) Strategic talent leaders, (iii) 'Problem solvers', and (iv) Next-generation CoEs. This model is driven by five imperatives: replace the HRBP role with strategic talent leaders (aligned to unit and functions and owning talent strategy for that area); create a pool of problem-solvers (moving flexibly across project-based work and responsible for updating HR policies, practices and resources); provide agile support with next-generation CoEs (working with problem solvers and relying more on external, contracted expertise as required); move from talent analytics to human capital intelligence (HCI); and build a robust operations team.

What it means: The greatest proportion of HR staff will be problem solvers (40%) or sit in operations and service delivery (40%). CHROs are encouraged to move people relations into operations and service delivery to take the load off HRBPs (or strategic talent leaders). Embrace digital opportunities, creating an HR technology team (within operations) and upping your game around data (through HCI). Consider bringing those from different backgrounds, such as marketing and product development, in as problem solvers.

[See Source](#)

Focus on interactions, not the model

by Mercer

In brief: Is it the model (most commonly Ulrich) that's the problem – or does the challenge lie in how HR interactions and investment in people and technology are implemented? A study of more than 850 organizations finds common issues, including only basic levels of implementation, a lack of focus on HR interactions, underutilization of technology, and understaffed and underskilled HR teams, unable to cope with evolving employee expectations. Overcoming this requires a rethink and simplification of HR interactions, moving from reactive to anticipative service design, investment in HR technology infrastructure, redesigning HR roles with an eye on agility, and building HR team capability.

What it means: Rather than moving straight to radical operating model change, CHROs should first focus on optimizing and unlocking value in their current model. Practical steps to take include redesigning HRBP roles to lessen the operational load (leveraging technology), investing in upskilling and reskilling members of the HR team, making the most of AI (like chatbots), and analyzing and improving HR interactions – and therefore employee experience.

[See Source](#)

Academic papers and reports round-up

What makes an effective HR function?

by The RBL Group

In brief: While the Ulrich model has been subject to much criticism in recent years, this analysis by Ulrich's RBL Group of nine other consultancy-proposed HR operating models find the three-legged stool approach of generalists, specialists and services continues to be the foundation on what most 'new' models are built. However, all models need to evolve, and HR should adopt a 'value logic' and 'outside-in' mindset, thinking of its customers not just as employees but external stakeholders like consumers, investors and communities. The six steps to a more effective HR function are: define business case and opportunity; adopt an integrated framework; measure and identify gaps; prioritize goals and investment; take action and track performance; share, engage, reinforce.

What it means: CHROs need to focus on creating value through their function, whatever model they use. In doing this, RBL suggests 10 dimensions across which to assess HR's value contribution and functional effectiveness. They are: HR reputation; HR customers; HR purpose; HR design; organization capability; HR analytics; HR digital technology; HR practices; HR professionals; HR relationships.

[See Source](#)

Introducing 'systemic' HR

by The Josh Bersin Company

In brief: HR needs a new operating system (not model) that allows the function to address problems via a systems-thinking approach that recognizes the interconnectedness of HR activity rather than operating in program-focused silos, according to Bersin's research of more than 1000 companies worldwide. Rather than focusing on a service delivery model, HR needs to become more agile and adaptable with the function itself flatter and more project-based. Success means focusing on the business problem and ensuring HR is not siloed by specialism, working as an integrated whole on cross-functional problems rather than obsessing over programs and initiatives.

What it means: Systemic HR means HR works more like a consulting firm, focusing deeply on business problems before jumping to design the right solutions. Bersin recommends a 4Rs framework: recruit, retain, reskill, redesign, ensuring each works together as a system rather than seeing anything in isolation. For example, every job opening should also be looked at in terms of job design, pay, development and so on, rather than simply being filled.

[See Source](#)

The rise of 'boundaryless HR'

by Deloitte

In brief: As work becomes more fluid and dynamic, the HR function needs to shift to become more integrated with the business and its external ecosystem of stakeholders and partners. People expertise should no longer be 'owned' by HR but instead the responsibility of all, a discipline operating across functions, with HR collaborating closely with colleagues across the organization. Deloitte describes boundaryless HR as a mindset rather than operating model shift, with HR leaders acting more like "orchestrators, coaches, and co-creators", equipping and empowering others throughout the business with the people expertise to unlock potential and drive human performance and becoming more externally focused.

What it means: CHROs should focus on orchestrating performance across the business, building strong connections internally and externally (for example through joining or leading industry partnerships). The role of manager should be redefined as that of 'people leader', analytics created and shared across functions, and cross-functional teams leveraged to drive transformation and impact. Using generative AI can democratize people practices across the organization, fundamentally shifting the role of HR.

[See Source](#)

The best HR operating model articles

A guide to HR operating models

by AIHR

In a sentence: In implementing a new HR operating model (categorized across five types: business partner (Ulrich), functional, front-back delivery model, hub and spoke and federated), HR leaders must be led by business strategy, map critical capabilities, be sure to educate the organization around the new model and not confuse reporting structure with operating model.

"A change in reporting line and change in operating model is not the same – the operating model is a deep-rooted change of how the HR model delivers services and should not be undertaken without due consideration for the effort required to drive this change."

[See Source](#)

Is your HR team the right fit?

by People Management

In a sentence: While new operating models continue to be a hot topic for HR professionals, more attention should be paid to the reasons why change is perceived as necessary, the business need and HR's strategic value proposition.

"Ultimately, the business cares more about what HR delivers than how HR is structured."

[See Source](#)

How HR teams are going agile

by HR magazine

In a sentence: Recent adoption of agile HR practices is less a fad, more an evolution of the HR operating model to help businesses cope with continuous disruption, and requires the balancing of tensions between traditional corporate structures and the need for divisional autonomy.

"We believe there needs to be a mindset shift in recognising that agile HR is not a fad or fashion but can be perceived as the logical next wave of evolution of HR operating model."

[See Source](#)

The impact of AI on HR's operating model

by PwC

In a sentence: The impact of generative AI necessitates a rethink of HR operating models, with automated support and delivery models, fewer, broader CoEs and HRBPs shifting focus more to influencing, consulting and change skills, freed up by AI taking on much of the ER load.

"These developments are not merely the next step in technology-enabled HR delivery; organizations need to plan for a future where the operational and continuous improvement core of HR no longer exists."

[See Source](#)

The best HR operating model articles

No silver bullet

by Egon Zehnder

In a sentence: HR leaders are increasingly looking for new ways to structure their functions, from evolving the Ulrich model to fully-fledged agile adoption, but there is no silver bullet and CHROs must first focus on business model, need, pain points and maturity level, not forgetting that more human elements like trust and collaboration are often as – if not more – important than the model itself.

“Although a discussion about the HR operating model is important and extremely relevant, leaders should not forget that organizational and team effectiveness are just partially a factor of the boxes and lines and job descriptions.”

[See Source](#)

HR in 2030

by HRfuture

In a sentence: With the world of work changing fast, HR leaders have a responsibility to focus on foresight, using data to inform decisions around the future of their functions, organizations and work itself.

“To truly predict the future of work, HR and people analytics leaders must consider both external factors, such as technological advancements and changing talent markets, and internal factors unique to their organization.”

[See Source](#)

Three questions for CHROs to consider

01. How is my function delivering business-outcomes and driving strategic value? Is this clearly understood and how are we evidencing it? And is the business satisfied with the service and strategic direction HR is currently providing?
02. Given shifts in the world of work, advancements in technology and ongoing challenges around skills and capabilities, is our current HR operating model fit-for-purpose for the years ahead? If not, does it need tweaking or a complete overhaul?
03. Are there steps we could take to improve HR capability and understanding of current accountabilities before committing to radical operating model change? If making changes, have we got a well-considered implementation strategy?

Senovis provides CHROs with a uniquely tailored single source platform of evidence-based content and peer to peer connectivity enabling CHROs to further influence and impact organisational performance.

Appendix

Below is a complete list of the sources referenced in this paper, plus links.

Academic papers and reports

A strategically aligned HR operating model, Max Blumberg, Alec Levenson, Dave Millner, USC Marshall Center for Effective Organizations, 2023.

Sparrow, P., & Otaye-Ebede, L. (2014). Lean management and HR function capability – The role of HR architecture and the location of intellectual capital. *The International Journal of Human Resource Management*, 25(21), 2892-2910.

HR operating model report 2023, The Talent Strategy Group, 2023.

HR's new operating model, McKinsey, 2022.

The HR operating model of the future, Gartner, 2020.

HR target interaction model: Unlocking the employee experience, Mercer, 2022.

What makes an effective HR function, Dave Ulrich et al, RBL Group, 2023.

Redesigning HR: an operating system not an operating model, Josh Bersin, The Josh Bersin Company, 2023.

From function to discipline: The rise of boundaryless HR, Deloitte, 2024.

NB: Academic papers may be behind a content gate. Comprehensive summaries for all these papers and many more are available for members on the Senovis platform.

Articles

5 types of HR operating models: A full guide, Erik van Vulpen, Dieter Veldsman, AIHR .

Is your HR team the right fit?, Katie Jacobs, People Management, February 2024.

Agile: How HR is changing shape, Margaret Heffernan and John McMackin, HR magazine, June 2023.

The AI rethink: AI and the HR operating model, Prasun Shah, Frances Jennings, Haydn Oliver, PwC, published via LinkedIn, July 2023.

Time to transform the traditional HR operating model?, Engin Guven, Gizem Weggemens, Claire Thomas, Rafael Altavini, Egon Zehnder, May 2022.

What will the future of HR look like in 2030?, Manpreet Randhawa, myHRfuture, January 2024.

