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The HR Operating Model of the Future



CHROs want their functions to become more agile, efficient and strategically aligned with the business, but don't know where to focus when upgrading their operating models. We present four imperatives to help CHROs envision and realize the operating model of the future.

Overview

Most HR functions currently follow a three-part operating model comprising HR business partners (HRBPs), centers of excellence (COEs) and shared services. Yet, to meet today's global challenges, chief HR officers (CHROs) are asking what alternative models exist. In this research, we present a vision of the future, driven by four imperatives, to illustrate changes CHROs can make to improve the agility, efficiency and strategic impact of their operating models.

Key Findings

- Only one out of every three HR leaders believes their current HR structure allows HR to quickly adapt to changing business priorities.
- Only two out of every five HR leaders believe their current HR structure separates transactional and strategic HR tasks appropriately.
- Eighty-six percent of HR functions have restructured in the past two years, are currently restructuring or plan to restructure in the next two years.
- The HR operating model of the future helps the function achieve its goals of agility, efficiency and strategic alignment with the business.

Recommendations

CHROs wanting to adopt the HR operating model of the future should:

- Develop a strategic talent leader role by upgrading the strategic capabilities of senior-level HRBPs, to address the most pressing business opportunities and challenges in the organization.
- Create a pool of problem solvers to dynamically and flexibly address strategic priorities. This team can apply strong project management skills toward collaborating, networking and communicating with employees, managers and COE teams to revamp processes, refresh competency models and more.
- Provide flexible, agile support with leaner next-generation COEs. Next-gen COEs balance subject matter expertise to redistribute tasks across other roles to help solve critical challenges, and provide deeper knowledge and understanding of critical organizational processes.

- Address growing needs for operational support by building a centralized HR operations and service delivery team, led by an HR COO. The goal of the HR operations and service delivery team is to act as a centralized, dedicated team servicing employees and managers and laying the operational foundation to increase the rest of the function's strategic impact.
- Create a human capital intelligence (HCI) team by evolving the talent analytics function to better serve employee and manager needs. Focusing on analytical, data-driven insights requires organizations to reevaluate talent for critical-thinking capabilities that can more effectively drive strategic decision making.
- Add people relations managers to handle compliance and employee relations issues and support managers with processes that are not automated or self-serve. This role can provide coaching and support to resolve specific operational issues, as well as provide process clarity to resolve organizational needs for policy expertise.
- Build a people-first HR technology team to improve the employee experience. CHROs can improve essential people and business metrics regarding diversity, equity and inclusion (DEI), well-being, collaboration and innovation by prioritizing efforts to empower and engage the workforce.

The HR Operating Model Challenge

There are many global challenges today: New hybrid ways of working, a dynamic new talent landscape with continued attrition, increasing adoption of technology/automation and an overall faster pace of business. These challenges require HR to be more agile, efficient and strategically aligned with the business.

However, organizations are struggling to meet these goals. Just 34% of HR leaders feel their current HR structure allows HR to adapt quickly to changing business priorities, and only 40% of HR leaders agree their current HR structure separates transactional and strategic HR tasks appropriately (see Figure 1).

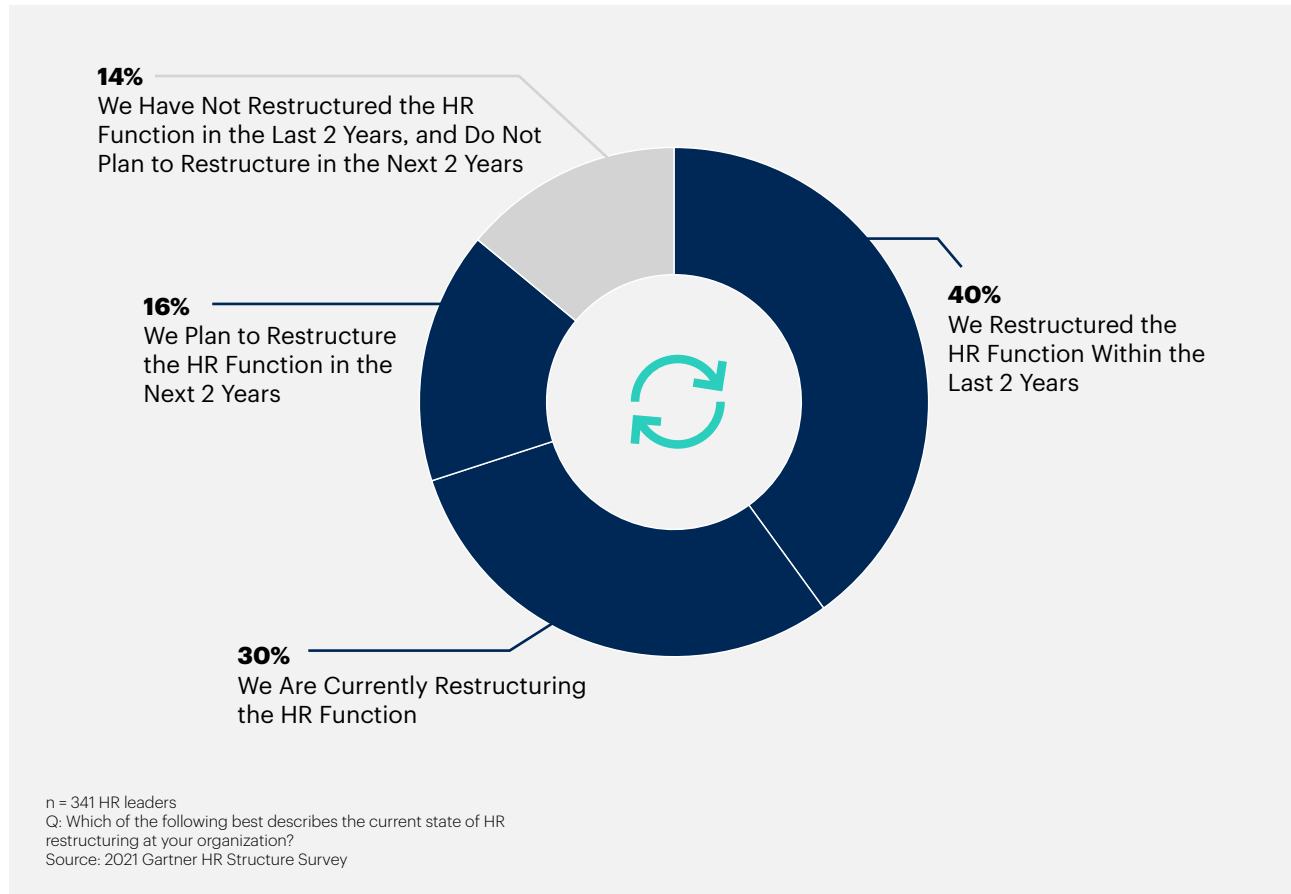
Figure 1: HR Structures Failing to Meet Today's Challenges



Transformational efforts remain high throughout HR functions in an attempt to better serve their organizations. Eighty-six percent of HR functions have restructured in the past two years, are currently restructuring or plan to restructure in the next two years (see Figure 2).

Figure 2: The Current State of HR Transformation

Illustrative

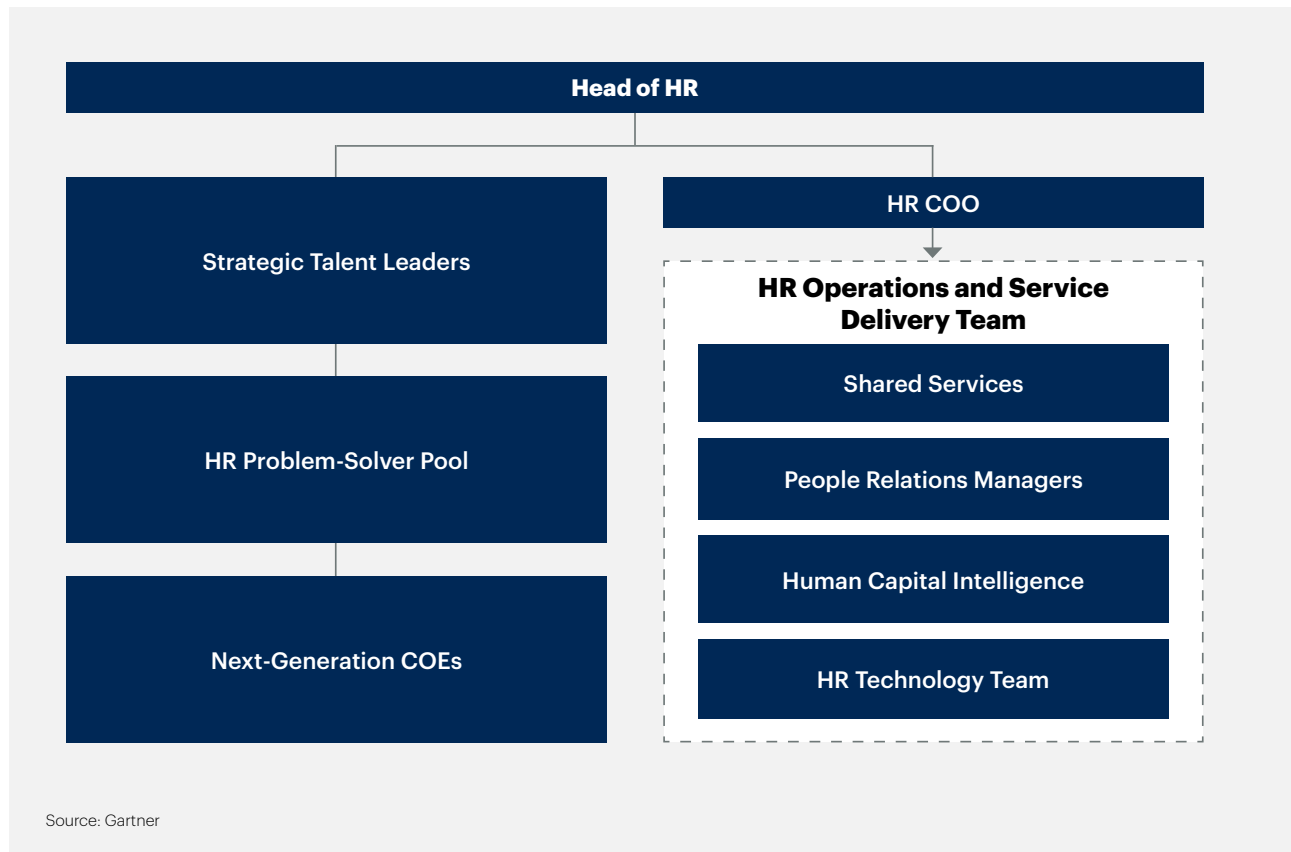


With such widespread interest in restructuring the HR function, it is important to ensure CHROs are transforming their functions in the right way. There is no singular “perfect” operating model, but we have developed a vision of the future to help CHROs promote agility, operational efficiency and strategic alignment with the business. The HR operating model of the future is not a rigid template but rather a set of guiding principles that can help every HR leader — independent of functional size, geography or maturity — upgrade their structural model and achieve their functional goals.

The Four Imperatives

Figure 3 offers a vision of the HR operating model of the future, driven by four imperatives.

Figure 3: The HR Operating Model of the Future



Imperative 1: Reinvent the HRBP Role as Strategic Talent Leaders

To strategically align the HR function with business priorities and successfully support the business in the future, CHROs need to further separate strategic from transactional roles. HR functions must redesign the senior or VP-level HRBP role toward a more analytically-oriented strategic talent leader and reallocate transactional tasks and time-consuming, routine activities to people relations managers (see Imperative 4).

Strategic talent leaders tackle the most pressing talent opportunities and challenges throughout the organization. Similar to present-day HRBPs, they are aligned with a specific business unit or function, and they own talent management strategy for that group. Depending on the size of the organization, the strategic talent leader for each business unit or segment may report to a centralized senior strategic talent leader. Senior strategic talent leaders can help coordinate the strategic talent leaders throughout the function, liaise with the head of HR, and ensure that HR and the business units' priorities and work are aligned.

Effective strategic talent leaders must be able to think holistically about the strategy of the business and talent processes that support the business's goals. This approach requires strategic talent leaders to have a breadth and depth of experience within HR and potentially experience in other functional roles (e.g., in finance or IT) that allow them to understand their business unit and develop appropriate solutions. Success in this role requires a combination of strong business acumen and stakeholder management skills to work with and influence the aligned business unit or functional leader. Strategic talent leaders must also have strong consultative problem-solving skills and be able to collaborate and network, both within the HR function and throughout the organization, to identify synergies in work and business goals. High levels of proficiency in data judgment and analytics will help strategic talent leaders analyze, interpret and communicate data effectively and responsibly to drive business outcomes. This added emphasis on data will allow the HR function to assess its progress and quantify the value of its impact on the business at large.

To enable strategic talent leaders, we recommend reallocating the operational responsibilities of the HRBP role, such as compliance and employee relations tasks, toward the role of people relations managers and shared services within the HR operations and service delivery team (see Imperative 4). By removing operational burdens from the strategic talent leader role, these leaders can dedicate themselves fully to the most pressing strategic priorities of the function, and have more space to focus on innovation and strategic thinking.

Strategic talent leaders have much less day-to-day operational contact with mid- and lower-level managers and frontline employees. This role might not be well-suited for HRBPs who would feel out of touch with their business unit or function if they could not replace these first-hand interactions by using data to understand the state of the talent in the unit.

To implement the strategic talent leader role at your organization:

- Define the role of the strategic talent leader, including the scope of responsibilities and competencies required.
- Evaluate your current pool of HRBPs for role fit and discuss career options for HRBPs who would be better suited for roles in the problem-solver pool (see Imperative 2), next generation COEs (see Imperative 3) or with the HR operations and service delivery team (see Imperative 4).
- Reallocate operational HR activities and current HRBPs to the HR operations and service delivery team.

Imperative 2:

Create a Dynamic Pool of HR Problem Solvers

A dynamic pool of problem solvers who work on various strategic projects is critical to the success of the HR operating model of the future. This team creates and upgrades resources, practices and policies used by HR and the workforce. It effectively serves as the “flex muscle” of the HR function, agilely solving HR’s most pressing challenges to deliver strategic impact.

As their name suggests, problem solvers’ primary job is to hypothesize, test and build solutions to strategic problems. Problem solvers work agilely on project assignments and can be redeployed based on need. The problem-solver pool allows for more interconnectivity, compared to siloed HR teams, by promoting collaboration across subfunctions and teams. Organizations that implement a problem-solver pool leverage agile methods and processes while working alongside end users to yield customer-centric solutions. Problem solvers work closely with their end users — employees and managers — and with COE teams who provide them with deep HR expertise to help them with their project assignments. According to a Gartner survey, clients use their pools for projects like revamping onboarding processes, refreshing competency models, updating employee value propositions and implementing diversity recruiting strategies.¹

Effective problem solvers must be comfortable working in creative and iterative ways in order to incorporate feedback and develop client-centric solutions aligned with business priorities. Successful execution of all projects requires problem solvers to manage stakeholders and relationships. This means they should collaborate and network both within HR and throughout the organization and tailor communication to their audience to foster trust and implement change. Problem-solver pool leaders should have strong project management skills and must also work to create an environment conducive to risk taking, in which it is safe to fail.

Heads of HR can source their problem solvers both internally and externally, from a variety of backgrounds and experiences. Problem solvers may come from traditional COEs or may have experience as HRBPs. In some cases, problem solvers may have never worked in HR and may be sourced to bring in the necessary skill sets and perspectives the pool lacks. Working on a variety of projects provide problem solvers with opportunities to build proficiency across a wide range of HR and business-relevant skills, and further strengthen the pool over time. Externally sourced problem solvers may include those with or without HR backgrounds, contractors and agile Scrum Masters.

We suggest creating the role of head of HR problem solvers as a liaison between the head of HR and the problem-solver pool. The head of HR problem solvers’ responsibilities include overseeing the team, managing project assignments, allocating staff to projects, and developing and hiring staff. We also suggest a small population of problem-solver team leads or managers responsible for leading projects. Depending on the size of your organization, some staff could double-hat as leads on some projects and staff for others.

To add an HR problem-solver pool in your HR function:

- Define the objective(s) and scope of projects of the problem-solver pool.
- Define the role and competencies of the HR problem solver.
- Identify the types of roles and subject matter expertise to be added to the problem-solver pool.
- Ensure the problem-solver pool is aligned with functional and business priorities, reprioritizing and iterating improvements as needed.

Imperative 3: **Provide Agile Support With Next-Generation COEs**

COEs are essential for HR to leverage expertise, set standards, and create concepts, policies and processes.

However, as the business landscape evolves, traditional COEs are no longer fit for purpose and carry three major problems. First, COEs today face an uneven demand challenge — while dominating a significant portion of the HR agenda and resourcing, COE utilization fluctuates greatly throughout the year. Furthermore, COEs can be pulled into other operational work (e.g., rolling out or implementing new processes) in addition to their core work. As a result, they struggle to balance their time designing and setting standards with implementing and operating the tasks associated with them. Lastly, we have found that COE strategy is poorly aligned to the business strategy and struggles to keep pace with the rapidly changing business environment.

As problem solvers deliver agile solutions for pressing challenges and the HR operations and service delivery team provides analytical support to meet employee needs, next-generation COEs need to become more agile, dynamic and adaptable.

The overall goal of next-gen COEs remains unchanged: Provide deep expertise in important subject areas for HR. They achieve this goal by redistributing and specializing tasks across other roles in the HR operating model of the future. For instance, instead of being the sole producer of talent management policy, practices and procedures, COEs work with the problem-solver pool to develop policies, practices and procedures across HR. In addition, COEs rely less on full-time, static teams and rely more on external, contracted work. This strategy allows them to flex as talent needs change. The head of each COE is responsible for ensuring this specialist expertise exists.

Midlevel COE staff may become part of the problem-solver pool or the HR operations and service delivery team (see Imperative 4), while senior COE staff and those with the most expertise will remain in their respective COEs. Each COE should be led by a senior-level head. Depending on the organization structure, each COE head may report directly to the head of HR or to a head of COEs (who would report into the head of HR). The head of COEs can partner with the head of HR to allocate resources more flexibly across COE teams as business needs dictate. Relative resourcing across COEs may fluctuate, as demand pressures for talent acquisition, succession or performance management cycles, for example, fluctuate.

Effective COE team members exhibit their subject matter expertise as well as their agility in responding to shifts in the business environment and adapting when necessary. They understand design thinking and apply an iterative framework to find customer-centric solutions. Effective team members demonstrate an openness to working in ambiguous or changing processes, projects or tasks.

A key change for next-generation COEs is their role in providing skilled expertise for problem-solver support. Problem solvers may pull in COEs as needed to help solve critical challenges and provide deeper knowledge and understanding of critical processes.

To upgrade your COEs and make them more agile:

- Redefine the COE value proposition, prioritize strategic initiatives and redistribute routine operational activities to the HR operations and service delivery team (see Imperative 4).
- Redefine the role of the head of each COE.
- Reevaluate your current COE teams to ensure they have the right balance of specialist expertise and skills to be agile.
- Apply agile practices to COE initiatives and drive cross-functional HR partnerships.

Imperative 4: **Build a Robust HR Operations and Service Delivery Team**

As organizations increasingly outsource and automate transactional and administrative tasks, they have an opportunity to upgrade HR's operational capabilities to become more strategic and better support business needs. Led by an HR COO, an HR operations and service delivery team should include shared services, HCI, people relations managers and the HR technology team. The goal of the HR operations and service delivery team is to act as a centralized, dedicated team servicing employees and managers with the proper infrastructure and support to effectively carry out their day-to-day work. This team will drive operational excellence in the HR function and lay the foundations for strategic impact.

Create an HR COO Role for Strategic Oversight

An HR COO specializes in the day-to-day administration and operation of the function and, in particular, in how the function supports the business. With HR focused on breaking down silos, the HR COO is responsible for tying together different roles to maximize functional efficacy.

Responsibilities for the HR COO include optimizing technology and talent data, automating HR activities and maintaining the relationships among HR roles or teams to collaborate effectively and agilely. This role essentially serves as the eyes and ears of operation for the function, working closely with the head of HR. The HR COO should therefore be responsible for the HR operations and service delivery team, overseeing shared services, HCI, people relations managers and the HR technology team. By working with HR's curated data and predictive modeling, technological infrastructure and employee support, the HR COO can centrally reinforce HR's day-to-day operations and service to its employees and managers.

Maintain Shared Services but Aim to Automate

HR functions continue to rely on shared services to improve efficiencies, reduce costs and support the workforce. Shared services centers are most effective at standardizing processes and optimizing HR costs. However, a major challenge for HR shared services is designing products better suited for the end user. CHROs need to examine how they can improve and measure employee interactions with HR services so HR and the workforce benefit.

As part of the HR operations and service delivery team, shared services can partner with the HR COO, HCI and the HR technology team to ensure strategically aligned, cost-effective and scalable solutions for the workforce. This strategy includes automating more shared services tasks and expanding manager and employee self-service efforts to drive fast, relevant solutions and improve the end-user experience.

The size of the shared services center may vary depending on the staffing levels of other components of the HR operations and service delivery team. The shared service center's flexibility may depend, for example, on the availability of people relations managers, who handle employee relations and managerial support, as well as HCI for analytical, data-driven insights. The following sections further explore how these teams help enhance the capabilities of the shared services model.

Add People Relations Managers to Provide Necessary Functional Support

To address employees' and managers' most urgent needs, HR should add a centralized team of people relations managers to the HR operations and service delivery team. People relations managers are responsible for much of the operational work previously completed by HRBPs, including compliance and employee relations issues, as well as supporting frontline managers with coaching and processes that are not self-serve or automated. This team may initially focus on Tier 1 shared services activities and transactional tasks, but can, in time, take on more judgment-based work.

Using a central inbox and ticketing system helps to efficiently escalate work from the shared services team to people relations managers. Some organizations may view people relations managers as a higher tier within their shared services team, with expertise in resolving specific issues or expertise in policy. The most urgent requests may have a dedicated person or team responsible for providing timely and personal assistance.

By handling much of the transactional work originally done by HRBPs, people relations managers play a critical role in ensuring the strategic talent leaders are fully supported and can focus on the organization's strategic initiatives and most pressing, business-related talent needs. People relations managers also help strategic talent leaders maintain a high level of service for employees who require HR assistance.

Evolve Analytical Capabilities With HCI

In an increasingly data-driven business environment, analytics functions continue to gain momentum in HR. In the HR operating model of the future, the proper infrastructure for data and analytics will be necessary to drive strategic decision making and efficient implementation.

With HCI as an analytical cornerstone, the HR operations and service delivery team now constitutes a more integrated and more mature evolution of the current HR shared services model in terms of its overall value to the business and how it serves customers:

- HCI serves its customers in new ways by providing targeted and advanced analytical support to enhance employees' and managers' strategic capabilities.
- Instead of simply streamlining operations and reducing cost, HCI is most efficient when fostering a more collaborative partnership with the business, as opposed to a more single-use, transactional approach.
- The HCI function is customer-centric, flexing its priorities and service offerings as manager and leader needs change.

Employee and manager self-service may be maintained within HCI, but hands-on support and longer-term project support are critical HCI capabilities. HCI may even perform individual, longer-term project work to support individual managers and leaders with complex data needs. For instance, HCI may be consulted to source new ways to measure employee engagement and model different scenarios to maximize engagement throughout the organization. HCI projects are targeted to enhance the strategic capabilities of the business, analytically aligned to business needs and customer-centric issues.

The best HCI functions comprise employees with advanced analytics skills, such as data scientists and data analysts, as well as employees who are adept at empathizing with the end user.

To add HCI to your HR function:

- Reevaluate the talent you have in talent analytics to ensure you have the right data and critical-thinking capabilities.
- Define the HCI value proposition and communicate to leaders and the workforce the positive shift in services that HCI provides.
- Centralize your talent data and ensure HCI staff members have access to it.

Build a People-First HR Technology Team

Finally, as radical flexibility and hybrid work environments become the norm, providing a seamless experience with technology is no longer a good-to-have scenario for employers, it's an imperative. To empower and engage their workforce, CHROs should set up a people-first HR technology function. "People first" means the processes, structure, team capabilities and network must be informed and aligned to create a better experience for employees. When done successfully, setting up a people-first HR technology function can improve key people and business metrics around DEI, well-being, collaboration and innovation.

Responsibilities for this team include agile project management, HR technology roadmapping, self-service initiatives, business analysis, application administration and change management. HR professionals on this team serve as subject matter experts in HR technology capabilities, driving continuous improvement and end-user adoption of HR technology tools and solutions. The most progressive functions understand technology innovations (e.g., artificial intelligence, machine learning, etc.) and can advocate for them when they are applicable to the organization's talent and business strategy.

Conclusion

In a rapidly changing business landscape, HR leaders are considering more flexible, efficient and strategically effective alternatives to their existing operating models. By restructuring the HR function to include strategic talent leaders, problem solvers, next-generation COEs and an HR operations and service delivery team, HR functions will maximize their operational efficiency and strategic impact.

About This Research

This research is drawn from an extensive literature review of operating models for various corporate functions, including HR, IT, finance, compliance and legal, audit and risk, and procurement. The research was inspired by the 2019 Gartner Future of HR Survey, with responses from 364 CHROs and regional or business unit heads of HR.

Notes

¹2021 Gartner HR Function Structure Survey. The 2021 Gartner HR Function Structure Survey was conducted to understand the HR function structure and operating model at organizations. The research was conducted online from 27 September 2021 through 29 October 2021 and contains responses from 341 CHROs with representation from various geographies, industries and functions. The survey was designed and developed by Gartner's HR Practice research team.

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