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New HR organizational structures in Czech and Slovak organizations

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Abstract

The paper deals with Human Resource Organizational Structures in Czech and Slovak organizations, reflecting new trends which are related to HR Business Partner model. HR organizational structure is the framework within a human resources department that divides the decision making functions within HR into specific groups with distinct job functions. HR Business Partner model reflects modern expectations arising from new roles of human resources managers in organizations which include its strategic consequences, change support and also its abilities of HR systems development and improvement of employee engagement. The paper in its first part describes basic principles of new roles of human resource departments in organizations based on HRBP concept and also new competencies required. In the second part the paper presents situation in these aspects in organizations from different sectors of the Czech and Slovak economy (especially secondary and tertiary sector), benefits of the HR department transformation and some conclusions drawn from the analysis of data obtained from qualitative and quantitative survey. It also compares specific situations and documents specific applications of these new trends with more or less developed HR organizational structures.

The contribution of the paper can be seen in practical view of theoretical concepts which constitute HR Business Partner model by Dave Ulrich and specific applications determined by human resources department transformation in Czech and Slovak organizations reflecting these concepts in different ways.

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1. Introduction

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The status and role of human resource managers in the field of strategic management is closely related to its importance acknowledged to human resources in terms of success and competitiveness of the organization. In case of growing importance of intangible assets for the organization the impact of strategic human resource management arises. This factor determines the significance of the HR role in organization. This fact reflects the human capital theory, where the costs associated with the procedures and processes in human resources should be viewed as an investment that will generate incomes in the future (Becker, Huselid, & Ulrich, 2001).



Fig. 1. HR Business Partner Model

Changes in the importance of human resources for the organizations have an impact on the human resources departments. New expectations are related mainly to its strategic role, which is essential to support line management in implementing the strategy of the organization (Svoboda & Schroder, 2001). In this context, it is most often mentioned the HR Business Partner model distinguishing four integral roles of HR in the organization (Ulrich, 1997). The HR Business Partner model is illustrated in Fig. 1 (Ulrich, 1997). These roles reflect the specific focus of the HR department in four dimensions, made up of two axes defining aspects of business and people perspective, on the one hand, and strategic and operational point of view on the other hand (see Fig. 1). In connection with the new conception of the HR role in the organization and the HR Business Partner model many companies operating in Central Europe have transformed structures of their human resources departments. This transformation should enable better delivery of HR services to internal customers (top management, line managers, employees) and emphasize the strategic function of HR department (Labeledz & Lee, 2011; Ulrich, 1997).

This paper deals with issue of HR organizational structure transformation in perspective of Ulrich's HR Business Partner model in organizations operating in the Czech Republic and Slovakia from. The objectives of this paper are to offer comparison of the structures based on the same model and principles in different conditions and also summarize responsibilities of the newly created positions known as HR Business Partner in these organizations and requirements for employees in these positions, and also identify key perceptions of the HR structure changes in the organizations as well as impact of these changes on the HR departments' effectiveness. These objectives are achieved through analyses of internal reports of the organizations and responses of managers involved in qualitative and quantitative research, as well as comparison of the data obtained from the practice with principles of applied theoretical model. The sample analyzed in quantitative research comprises 149 Czech and Slovak organizations with more than 150 employees (97 companies from the Czech Republic and 52 companies from Slovakia) regardless of industry or sector of economy. The qualitative research was aimed at organizations which have transformed their HR organizational structures and their managers assessed the HR delivery models as effective providing HR services with higher quality (minimally 4 points on 5 point scale). The first part of quantitative research was based on questioning managers of organizations using survey questionnaires. The second part of the quantitative research comprised HR managers or persons responsible for human resources in the organization. This research was focused on the perception of the role of human resources in the organization, various aspects of human resources in the organization, especially the structure of the HR department and the perception of HR services quality. The

qualitative research was based on interviews with managers and HR managers of organizations with transformed HR department structure and high quality of HR services perceived by managers, moreover internal documents were analyzed such as job descriptions, organizational rules and regulations, organograms, etc. Then there were constituted case studies of successful concepts of HR organizational structures after transformation reflecting HR Business Partner model.

Mainly for the purpose of comparison, in the paper there are also used secondary data. These data were obtained from the international survey managed by Chartered Institute of Personnel Development (CIPD, 2012) and also research report by PricewaterhouseCoopers CR (PwC, 2013) based on quantitative data from 153 Czech organizations. The secondary data from the first survey represent facts related to the shifts of HR role perceptions in present and in future in the international context, the secondary quantitative data from the second survey are used as an ethalon of standard values of analyzed HR key performance indicators in Czech organizations.

The contribution of the paper can be seen in practical view of theoretical concepts which constitute HR Business Partner model by Dave Ulrich and specific applications determined by human resources department transformation in selected Czech and Slovak organizations reflecting these concepts in different ways.

2. HR delivery models reflecting HR Business Partner roles

The traditional model can be represented as shown in Fig. 2 (Hunter, I., Boroughs, A., Saunders, J., & Constance, S., 2006). Its disadvantages include the limited inclusion of the human resources department in management of other departments that are supported from the perspective of HR services. There is only a small possibility of standardization and centralization of administrative processes (towards cost savings and improved services) that would generate funds for human capital investments and human resources department mobilization to the activities of strategic importance (Dvořáková, 2012). Opportunities for effective knowledge sharing of HR best practices are reduced in the structures of this type. It is due to the fact that this knowledge is generated in the interaction with assigned business units. The transfer to the further areas of organization is not usually possible in order to be used within the organization.



Fig. 2. Traditional HR department structure

Organizational structure of the Human Resources based on a Human Resource Business Partner model might look as shown in the Fig. 3 (Hunter, I., Boroughs, A., Saunders, J., & Constance, S., 2006). Such a structure helps HR departments to effectively implement corporate strategy and manage its implementation from the perspective of human resources.

An HR structure must match the business structure. A holding company business structure would lead to a decentralized and dispersed HR organization. A single-business company would have another type of HR department (Ulrich, 2007). This new type of HR department organizational structure allows HR departments to reflect business structure in more effective and more logical ways. HR Business Partners are directly assigned to heads of the different departments of the company. This allows the organization to ensure a closer relationship between human resources and business.

On the other hand, it is possible to split the role of HR departments into transactional work and transformational work. Transactional duties are standardized, routine and administrative, and it is desirable to handle them through services centers or outsourcing (Cascio, 2005). Transformational work, which is differentiated and strategic, is centered in HR centers of expertise and groups of business partners or HR generalists mostly representing a strategic partner and change agent roles in HR Business Partner model in Fig. 1 (Ulrich, 1997). Administrative processes are therefore a matter of shared service centers. These enable standardized access to processes and technologies, personnel policy can be implemented quickly and efficiently. Specialists and experts of human resources, working together in the center of expertise, creating a network of specialized knowledge that can be shared within the organization and that the company can utilize.

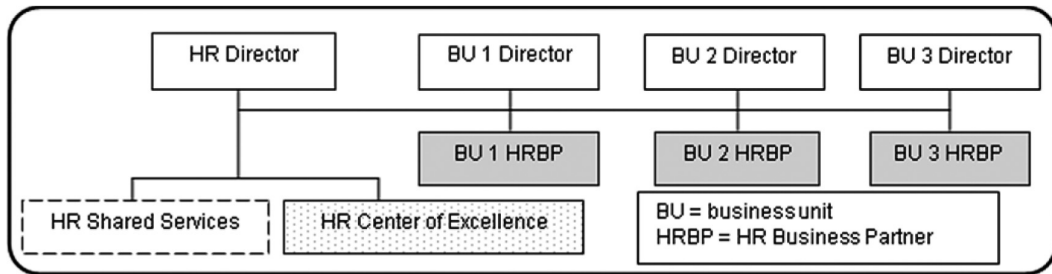


Fig. 3. HR department structure based on HR Business Partner model

Transformation of HR structures is currently considered because the organizations are experiencing increased pressure to perform human resources services more efficiently and effectively. These activities are currently planned in organizations and this trend is confirmed by several surveys based on interviews with managers (McGrory, 2012). It is necessary to view the HR transformation as two journeys. There is an “efficiency” journey, which rationalizes and modernizes HR processes, using shared services centers and business partners. Many organizations already have taken that journey and achieved impressive improvements in HR costs and transactional services. The second, the “next generation” journey, is completely different. It enables HR to deliver strategic interventions and commercial results. This is a crucial journey and one that few HR teams have progressed (Goodge, 2011). However, both of them incorporates HR structure transformation because structure is key element of any organization and must be aligned with its strategy.

The position of HR Business Partner has a number of features in common with the role of human resources consultant, but not identical. The consultant is a role, in which a person has a certain effect on the individual, group or organization, but does not have any direct power to make changes or implementation of any programs. It is possible to distinguish between external and internal consultants. While the external consultant has a wide range of knowledge across the business environment and he is able to bring new ideas. Know-how of internal consultant is limited to specific organization. An external consultant has a limited specific knowledge of the organization. In contrast, internal consultant knows its culture and its employees. Thus, HR Business Partner should be an internal consultant, but each internal consultant may not be automatically business partner (Kenton, Yarnall, 2005).

The person in the function of HR Business Partner must meet relatively high requirements. Good work in this role requires both a detailed understanding of the business from operating and financial perspectives and understanding of the strategic aspects of the organization and ways of realization of the strategy within organization mainly from the perspective of human resources (Lawler, 2005). As mentioned above, HR Business Partner should influence decisions concerning human resources. He should also be able to suggest a suitable HR strategy, based on the correct estimation of the future development of the organization and its implications for human resources (Armstrong, 2005). To his decision making he needs a lot of information. Therefore, it is crucial for him to be accepted by others in the team of managers. For this reason, HR Business Partner should be able to correctly set up the process of defining, monitoring, comprehensible reporting and evaluation of the impact of human resources on the business of the organization in order to convince managers about the meaningfulness of his role (Svoboda, Schroder, 2001). Researches show that the view of the role of human resources in organization is really changing

nowadays. This trend is documented in Fig. 4 (CIPD, 2012). Human resources function is shifted from administrative to strategic level. This trend must be reflected by HR structure transformation.

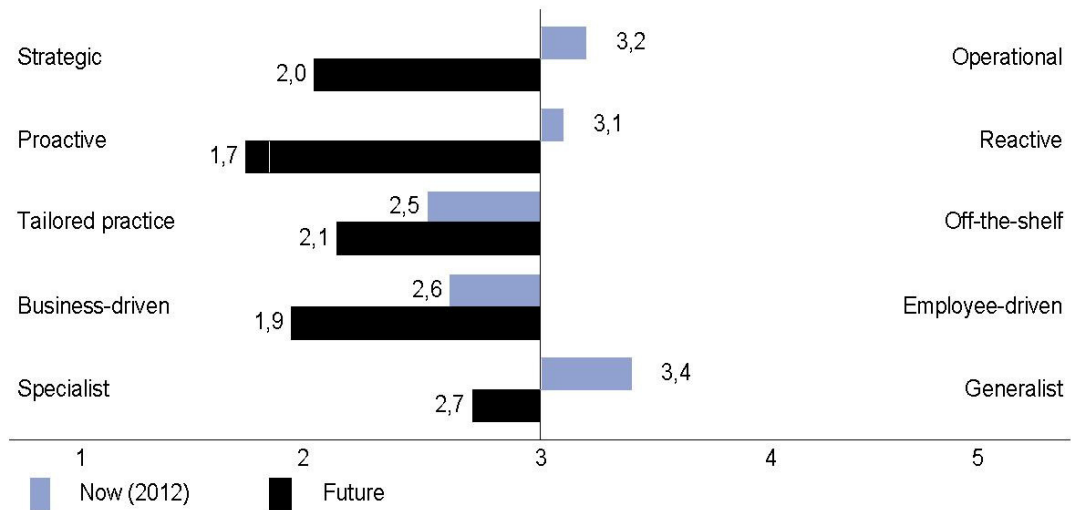


Fig. 4. Perception of HR function in organizations

3. HR structures reflecting HRBP model in Czech and Slovak organizations

The following text specifies some aspects of the transformation of HR departments. There are compared some aspects of HR role perception and effectiveness in organizations with standard HR organizational structure and organizations with transformed HR departments. Then there are given two cases of organizations from different industries (finance, chemistry) reflecting the HR Business Partner model. These two case studies present problem of HR transformation and ways of HR organizational structure constitutions in organizations, which can be used as an example of best practice in this area because of positive HR services quality evaluated by managers in these organizations. When the managers evaluated quality of HR services in these two organizations, they assigned minimally 4 points on 5 point scale in the survey. The case studies focus on the following aspects: issues of transformation, a new structure of the HR department, the specifics of the role of HR Business Partner (or an adequate role in the HR department). This part of the paper presents some results of the qualitative survey which was realized in 17 organizations in Czech Republic and Slovakia and quantitative survey realized in 149 organizations in these countries. Both surveys were realized in 2012.

3.1. Impact of the HR department transformation on HR role perception and HR department effectiveness

Perception of the HR role and HR function in organizations after the HR department transformation has been analyzed through questioning of managers in these organizations. The managers assessed the perception of the HR role and HR functions in their organizations on the five point scales. The Fig. 5 offers the comparison of these perceptions in Czech and Slovak organizations with standard and transformed HR departments (based on primary data obtained from survey in Czech and Slovak organizations, number of surveyed managers = 269).

The results show that the transformation of HR organizational structure means also change in HR role perception in the organization. The role of the HR department is perceived more positively from the perspective of managerial view than in organizations with standard HR organizational structure of the HR department. The HR department is more focused on organizational strategy realization and supporting business activities, in organizations with standard HR organizational structures the role of HR is perceived as operational and administrative. This change in

perception of the strategic role of the HR departments is significant and it can be influenced by the effects of foregoing changes in the HR departments in some surveyed organizations in recent years. But only the existence of the position of HR business partner or HR consultant in the HR department probably also support this change of HR role perception. This parts of HR department acknowledged to some line managers solving specific problems of these line managers in their departments can be seen as more strategically oriented and supporting business of the organization. On the other hand, it should be emphasized also the perception of relatively low quality of HR services from the managerial perspective. The quality of the transformed HR services is better than quality of standard HR departments but the evaluation of the level of HR services quality is relatively low. As the reasons of the low quality of HR services there were mentioned primarily communication errors between line managers, HR business partners and HR specialists, as well as the lack of ability to link HR strategy with business strategy and lack of ability to apply HR policies into practice of various line departments in the organization.



Fig. 5. Comparison of perception of HR function (role of HR department) in organizations with standard HR organizational structure and transformed HR organizational structure (n=269)

In addition to changes in HR role and HR function perceptions in the organizations it is also necessary to examine the effect of the HR organizational structure transformation on the cost-effectiveness of HR department. There are several ways to measure this cost effectiveness of HR department. One of the most simple and most convenient indicators for this purpose there were analyzed costs of HR department related to FTEs (full time equivalents, which express number of employees of the organization). The comparison of HR department costs in organizations with transformed and standard HR department structure offers Fig. 6 (based on primary data analysis and comparison with secondary data from Czech organizations). This figure contents data for Czech organizations, costs are measured in CZK (1 Euro = approx. 25.80 CZK). As an etalon of standard values for the indicator costs of HR department related to FTEs in the Czech Republic there were used data from survey realized by PricewaterhouseCoopers CR which comprises sample of 153 Czech organizations (PwC, 2013). The graph in Fig. 6 shows the values sorted by the size of organization measured by number of employees. The values are shown from the 25th to the 75th percentile, particularly there is marked a middle value for each category of surveyed sample.

The impact of the HR organizational structure transformation on HR department effectiveness is not clear. In most groups of surveyed organizations it is possible to identify the positive differences between departments with modern and standard structure of employees. However, these differences cannot be considered significant.

Furthermore, in the category of organizations from 200 to 600 employees, the difference is negative. Also the comparison with data expressing standard values for Czech organizations (survey by PwC) leads to unclear or negative conclusions.

Unclear impact of the HR organizational structure transformation corresponds with its main purposes. The main purpose of this transformation is not cost reduction in HR departments. Cost aspects are considered only in the case of administrative processes characterized by low value added. Basic principle of the HR transformation projects in organizations there are aspects such as strengthening the strategic focus of HR, focus on internal and external customer and better alignment of HR and business. Cost reduction in administrative processes through their rationalization, centralization or outsourcing should mobilize resources for customer-oriented HR department.

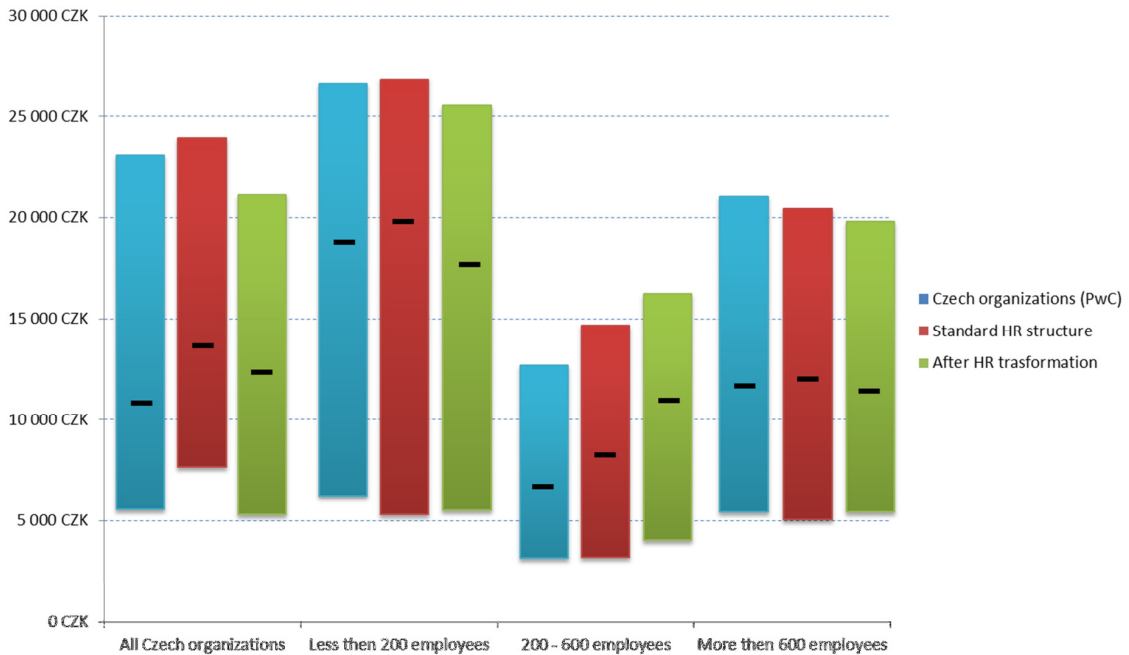


Fig. 6. Costs of HR per FTE comparison in Czech organizations with standard HR organizational structure (n=48), Czech organizations with transformed HR organizational structure (n=34), Czech organizations included into PwC survey (n=153) in 2012

3.2. Case of the HR organizational structure transformation in organization from the chemistry sector

Values in human resources of the company are: strategic partnerships, value added, reliable service, international orientation and change promotion. It was decided to transform the structure of the human resources department on the basis of these values. The main objective of this transformation of HR department was to become a respected partner for other departments of the company. The entire transformation process has been focused on the design of a system of professional HR service center. The aim of this system is the standardization of key HR processes and internal customer approach, including their measurability. The system should also lead to economization of administrative processes in human resources, implementation of a consistent reward system throughout the organization, improving human resources controlling and reporting.

Previously, the HR department was divided into front office and back office. During the transformation there was created new position of HR Business Partner. This role has been assigned to some initial HR internal consultants. The range of activities of HR Business Partner in this organization is to provide broader support for assigned internal customers and it comprises more responsibilities than the role of HR consultant: responsibilities for HR processes, implementation of HR standards, participation in business projects, co-operation with internal and

external services providers, ensuring the adaptation of new employees, solving operational issues and daily agenda from the perspective of human resources. Back office consists of four expert teams that focus on training and development, compensation and benefits, HR controlling and HR projects. The HR administration department provides routine HR activities. The diagram in Fig. 5 (based on results of qualitative research comprising interviews with managers and analysis of internal documents of the organization) illustrates the link between HR Business Partner and line manager. HR Business Partner solves requests from assigned line departments either alone or passes them to the back office. In connection with this scheme it is possible to define the main responsibilities within the HR department. Back office departments (Training and development department, Compensation & Benefits department, HR Controlling department, HR Projects department) are responsible for making tools and systems (e.g. performance management system, employee appraisal tools, system of employee training and development, system of talent management, etc.) and HR Business Partner role is responsible for their implementation in practice of assigned line managers.

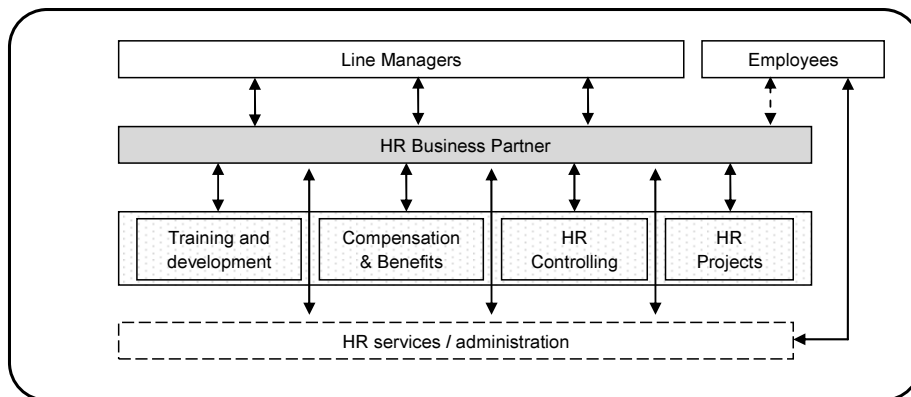


Fig. 7. Structure of HR department in the organization

3.3. Case of the HR organizational structure transformation in organization from the financial sector

The transformation of human resources has been done due to the changes within organization. Its primary purpose was to change the perception of the role of human resources in the organization - become a full-fledged strategic partner to the management of the organization. New values that HR department has stated were: transparency, events, positive influence on business and measurable success.

These changes also had to reflect the structure of human resources. There has been a front office or front-end team and back office created. There was emphasized especially quality of people in the front office team during the transformation. The diagram in Fig. 8 (based on qualitative survey comprising interviews with managers of the organization, interview with project manager who was responsible for the HR department transformation, analysis of internal documents of the organization) illustrates the assignment of roles in the human resources department after his transformation. Front-end team operates as an imaginary ear service through which department listens to business strategy. Back office consists of competence management department, which includes recruitment, knowledge management and career development, and performance management department, which also includes payroll department and HR reporting (information management). Both parts of the HR department have own strategic role on the organization. The front-end team has to ensure connection between HR and business. It should recognize actual problems in line departments related to realization of the strategy and also new challenges defined by top managers. On the other hand it should provide support for implementation of organizational strategy in perspective of managing, motivating and developing people and application of HR tools in line departments. Back office role is characterized by creating and developing HR strategy and HR tools under the requirements of the organizational strategy, top managers and line managers of the organization.

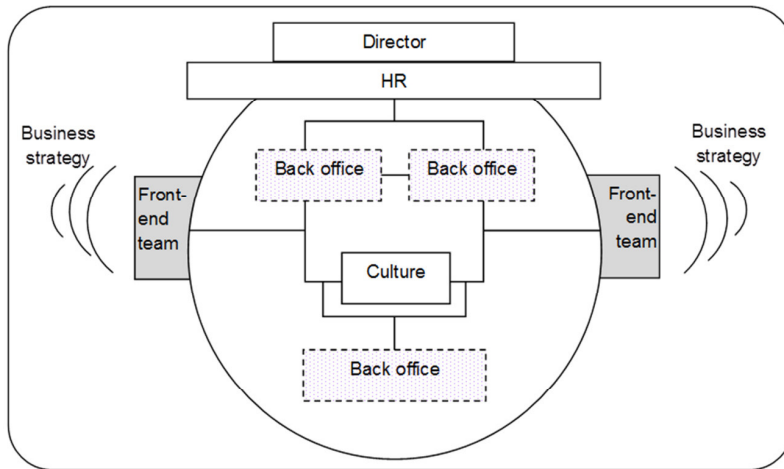


Fig. 8. Structure of HR department in the organization

The structure of the department is illustrated in Fig. 9 (based on own research). HR Key account managers and HR consultants represent a front-end team. HR Key Account managers represent a HR Business Partner role for senior management (directors and top management level), while the HR consultants are HR Business Partners for middle and low management level. The key purpose of HR key account manager is to create sophisticated solutions in the field of human resources based on the needs of line management. He is responsible for the high quality of response to these needs from the central personnel units (back office). It represents a contact point between these units and internal or external customers. The main tasks of HR Key account manager are consultations of number and structure of the departments and the number of positions in those departments, all depending on the HR strategy, cooperation in the creation of agenda descriptions of new departments and their positions, including their competency profiles, active participation in recruiting senior managers and strategic positions, planning development activities, designing nominations in corporate development programs, cooperation in designing HR KPIs system etc. This role requires a specific profile of employees, which includes the ability of the general orientation of HR, but also a very good knowledge of the functioning of business in assigned departments and related areas such as financial management, controlling, marketing and project management.

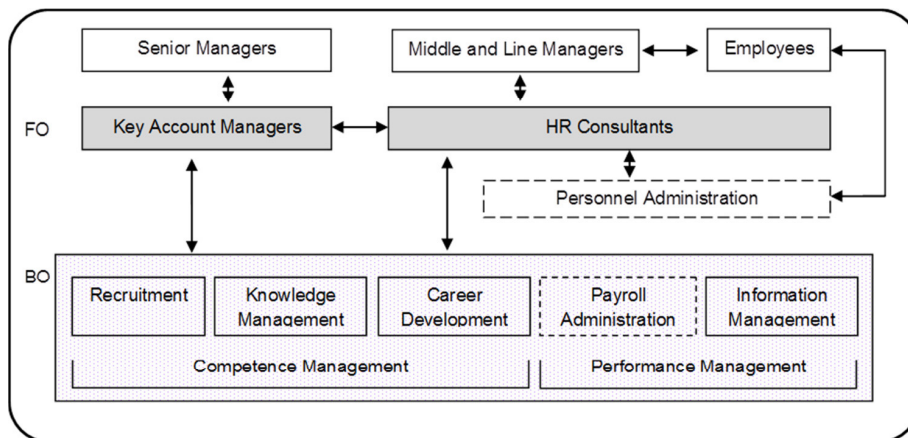


Fig. 9. Structure of HR department in the organization

4. Conclusion

Both companies in presented case studies recognize the importance of human resources in achieving their business goals. They are very dynamic organizations with a leading position in their fields. Transformations of the human resources departments were mostly linked to changes throughout the organization as a reaction to market trends and the competitive environment. The main objective of the transformation in human resources is an effort to change the perception of the role and importance of the human resources department in organization that wants to become a respected and equal partner to senior management and be involved in strategic decisions. Another goal is to strengthen customer focus and improve the quality of HR services to internal customers. Another moment is better measurability of processes in human resources, their simplification, standardization and economization. Last but not least, cost optimization and improvement in controlling and reporting. The new structure of the HR department in both organizations is divided into front office and back office. Back office is represented by expert teams or administrative departments. Expert teams are mostly focused on the development, knowledge management and training, compensation and benefits or recruitment. Furthermore there are departments dealing with HR Controlling, HR projects and information management.

Front office is represented by a newly created function HR Business Partner. His daily work load is characterized by little differences in each organization. Somewhere it is closer to the role of strategic partner, sometimes he performs rather the role of internal HR consultant. Regarding the competence profile of HR Business Partners, it is possible to formulate the following requirements: good understanding of the business, analytical skills, constructive approach to problem solving, ability to perceive the need in advance and act proactively, be communicative, have organizational skills, be a natural authority.

As the benefits of this transformation in the Czech and Slovak organizations there are communicated better quality of HR services, higher efficiency and standardization of processes, but also directing efforts to the strategic HR activities and better support of line managers. The impact of the HR organizational structure transformation in Czech organizations on cost reduction of HR departments is unclear and some positive relations are not significant. The purpose of this transformation is not to reduce total costs of HR departments but mobilize resources to strengthen strategic impact of HR in organization, support customer-oriented approach and focus HR departments on activities with higher value added.

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