

4 HR Chief Operating Officer

Despite the demonstrated benefits of HR Transformation, business executives and HR leaders alike continue to voice frustration with HR's ability to deliver value. With no shortage of talented people doing great work, what is the problem? All signs point to the need to rethink how HR organizations deliver on the intent of supporting the business — with a new role designed to drive performance improvements across the entire HR organization. The HR Chief Operating Officer (HR COO).

The business wants more — not less — from HR

Most business leaders today fully understand the value of people. They can clearly articulate their top people priorities and are more than willing to invest to get what they need. At the same time, chief HR officer (CHRO) leaders know they have to deliver what the business needs and wants. As a result, when business and HR leaders sit down to work together, they are often focused less on what needs to be done and more on how.

Predictably, business leaders want better, faster, and more compliant HR services at a lower cost and an HR organization that can turn on a dime to support their ever-changing business strategies and goals. Unfortunately, many HR organizations continue to struggle to meet those demanding requirements.

The challenge of getting to “better, faster, cheaper, and more agile” is daunting for any organization, but it is doubly difficult for HR organizations, where many leadership teams still operate with structures and roles that have been in place for decades.

The traditional model for HR leadership

Today, a typical corporate HR leadership team is led by a CHRO, and includes HR vice presidents (VPs) for business units, HR VPs for centers of specialization (e.g., compensation and benefits), a VP for HR operations, a VP for HR technology, a head of legal for HR, and an HR controller. Some leadership team members have dual reporting relationships, which can include direct lines to the Chief Information Officer (CIO), Chief Financial Officer (CFO), Chief Administrative Officer (CAO), or chief legal counsel.

Within this familiar structure, leadership team roles and responsibilities are predictable. For example, most HR VPs for business units are naturally focused on business unit HR issues. Centers of Expertise leaders concentrate on HR policies and programs. Leaders for HR shared services and technology manage operations and technology and so on.

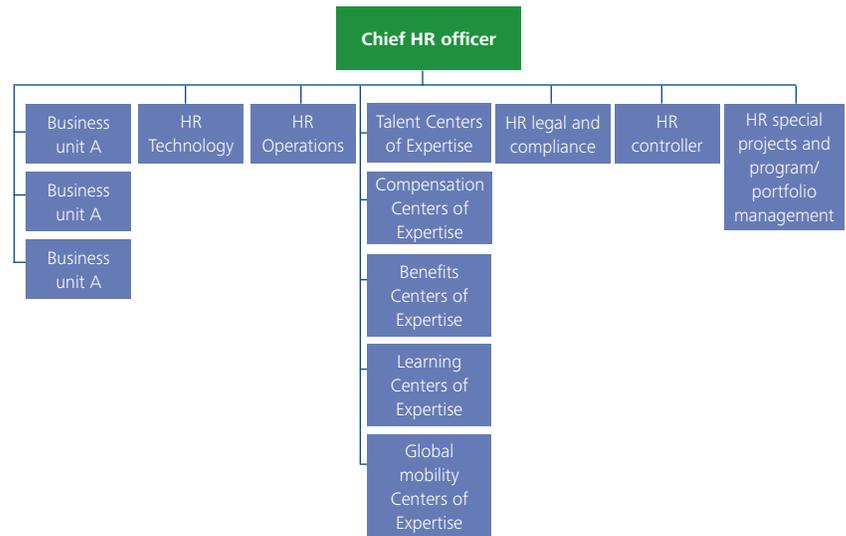
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In terms of operating model, HR leadership team members typically have their own budgets and resources and are responsible for developing an annual operating plan to support their priorities and projects. Implementation, however, is often the responsibility of an IT or shared services group, which may have its own resources and budget. Members of the leadership team and their organizations provide implementation support as needed, such as communications assistance or loaned resources.

This traditional model works well as far as it goes — but it does not go nearly far enough. For example, when coordination is required across multiple functions and business units — such as merger integration or enterprise-wide rollout of a new HR initiative — the model falls short. In those circumstances, integration is typically handled on an ad hoc basis through an informal network of “go-to people” in the HR organization. The network steps up and pulls together to handle deals when they happen, with leadership often provided by an experienced team of HR leaders. Effectiveness hinges on relationships and special effort rather than reliable processes, lines of authority, and structure. As a result, there is often a gap between the expectations of business leaders and what HR is set up to deliver.

What’s not working?

Most HR leaders can point to an innovative service they developed to solve a critical business challenge. Their stories have a familiar theme: the work required a lot of cooperation, goodwill, and effort by HR people who stepped up to the challenge to get something important done. The examples are hard to replicate because they required huge commitments of time and energy.



Source: Deloitte

Similarly, many HR organizations have gone through effective HR Transformation programs. By design, these programs come to an end point at which the transformation of current HR services (or the development of new HR services) stops. There is rarely a structure in place to sustain the cycle of continuous performance improvement.

These two scenarios illustrate a fundamental dilemma. On one hand, most HR leaders understand that the business understands the value of people and is willing to invest in people more than ever before. Yet on the other hand, their HR organizations are not prepared to take advantage of this opportunity with their current structures, roles, and processes. HR leaders understand this dilemma and want a solution to this problem.

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Rethinking structure

To help HR organizations seize this business challenge, incorporating a simple step in the evolution of HR organizations can bring significant value: a division of responsibility between HR executives who focus primarily on what needs to get done and those who focus on how it gets done. That step requires creating a new, senior HR role — the HR Chief Operating Officer.

The HR COO is the leader who focuses on how HR services are delivered, as well as the design, development, and implementation of HR services. The person in this new role will drive efficiency, effectiveness, cost, and compliance for the HR services. The table on page three shows the division of responsibility in the HR leadership team when an HR COO is established.

Getting it done

Like any other leadership position, the role of the HR COO should be defined to establish clear lines of responsibility and reporting relationships. However, because solid line reporting relationships will not typically exist, the influence element of the HR COO role should also be well defined.

Responsibilities

- Current HR service delivery, as well as driving improvements, to provide efficient, effective, and compliant HR services
- Design, development, and implementation of new HR services
- Development and implementation of business-focused HR metrics
- Delivering reliable workforce data with corresponding workforce reporting and analytics
- Development of the overall HR budget and analysis of total HR spend
- Development of a vendor management plan

- HR compliance and risk management
- Project management, including building capabilities for HR, to manage projects, such as Six Sigma in HR
- Development and implementation of an HR technology strategy to support the business needs

Structure

The HR COO role will generally have a combination of solid- and dotted-line reporting relationships. Below are examples of reporting structures seen in organizations that have effectively embraced the role of the HR COO. (See Samples 1 and 2.)

Influence

The ability to exert influence is very important in leadership, but it is even more critical in structures with multiple dotted-line reporting relationships. HR COOs and their direct and indirect reports need a solid understanding of how goals are set and how performance will be evaluated. This requires clarity about who influences and shapes day-to-day work, as well as long-term career needs of these individuals.

In search of Superman or Wonder Woman?

At first blush, the list of qualities you'll want from an HR COO may seem daunting. The role requires a mix of experience in HR, finance, technology, operations, and executive leadership — with a focus on HR service delivery and operations. That's asking a lot — especially when you add in responsibilities for regulatory, risk, compliance budgets, and for managing change. But none of this means the HR COO has to be a superhero, not at all. The HR COO is part of your leadership team. The desirable/effective person will balance and complement other executives, using influence and alliances to get the job done.

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Strength through business results

The HR COO is a new and evolving role, but from organizations that have taken early steps in this direction, there are clear indications of common themes that can drive effectiveness.

For starters, the HR COO role depends on having a clear and communicated mandate to drive HR service delivery, with responsibility for HR efficiency, effectiveness, and compliance. As such, it requires full support of the Executive Committee and the HR leadership team. The HR COO will need to develop working relationships with members of the senior leadership team. One way to garner that support is to establish shared HR leadership team goals that are part of each member's performance objectives.

Looking ahead

To put it simple, the HR Chief Operating Officer is not a role that someone can be phased into over time nor can it be piloted. It requires a depth of conviction from CHROs who know they are not yet delivering the services that the business needs.

But the effort is worthwhile. Positioned appropriately, the HR COO can be the key to creating a high-performing, well-integrated HR leadership team. There is tangible value to be realized, but it will likely take a departure from the current model.

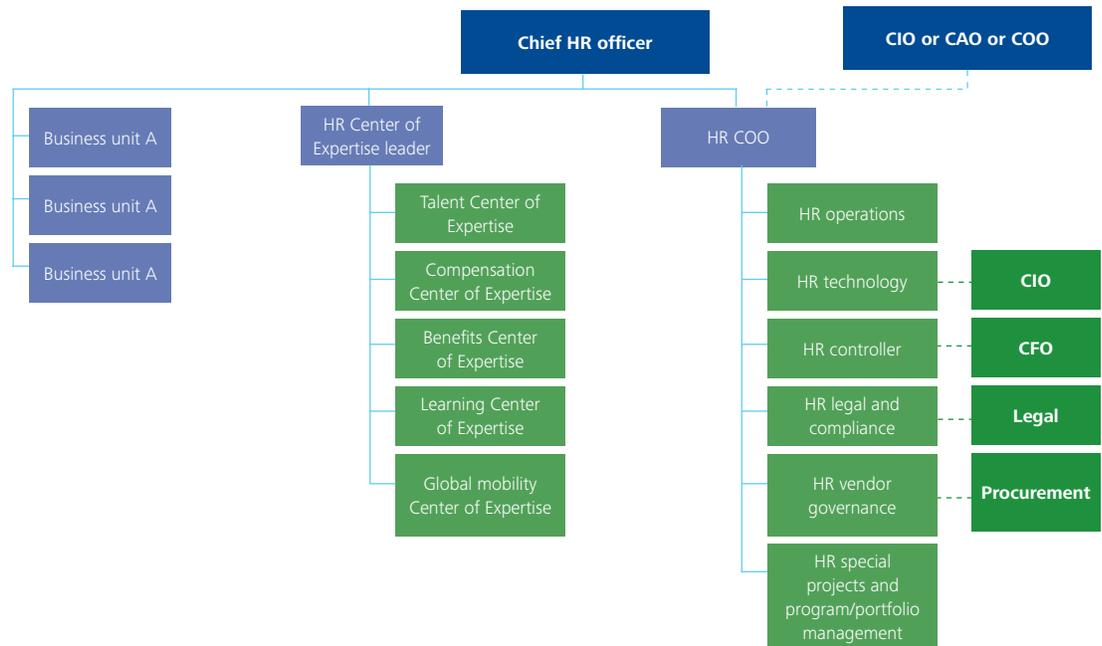
Division of HR leadership responsibilities with an HR COO		
Role	Key responsibilities	Key focus
CHRO	<ul style="list-style-type: none">• Provides HR leadership• Focuses on business-HR alignment• Develops HR strategy• Owns HR governance	<ul style="list-style-type: none">• HR strategy• Business-HR alignment
HR COO	<ul style="list-style-type: none">• Drives implementation of new HR services responsible for ongoing HR service delivery• Drives efficiency, effectiveness, and compliance	<ul style="list-style-type: none">• HR operations• HR efficiency, effectiveness, and compliance• HR operating costs
Business unit HR VPs	<ul style="list-style-type: none">• Develop business unit HR strategies and plans; drive business-corporate HR alignment	<ul style="list-style-type: none">• Business unit HR strategy• Business-HR alignment
HR Centers of Expertise VPs	<ul style="list-style-type: none">• Develop HR policies and programs related to functional areas (talent, compensation, benefits, Learning, etc.)	<ul style="list-style-type: none">• HR policy and program effectiveness

Source: Deloitte

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In the months and years ahead, more and more CHROs will likely embrace the HR COO model as they strive to crack the code for operational excellence in HR service delivery. Recognizing that even the most experienced people cannot excel in a suboptimal operating model, they will likely make the call that only leaders can make — to change the operating model of the HR organization to harness the power of how.

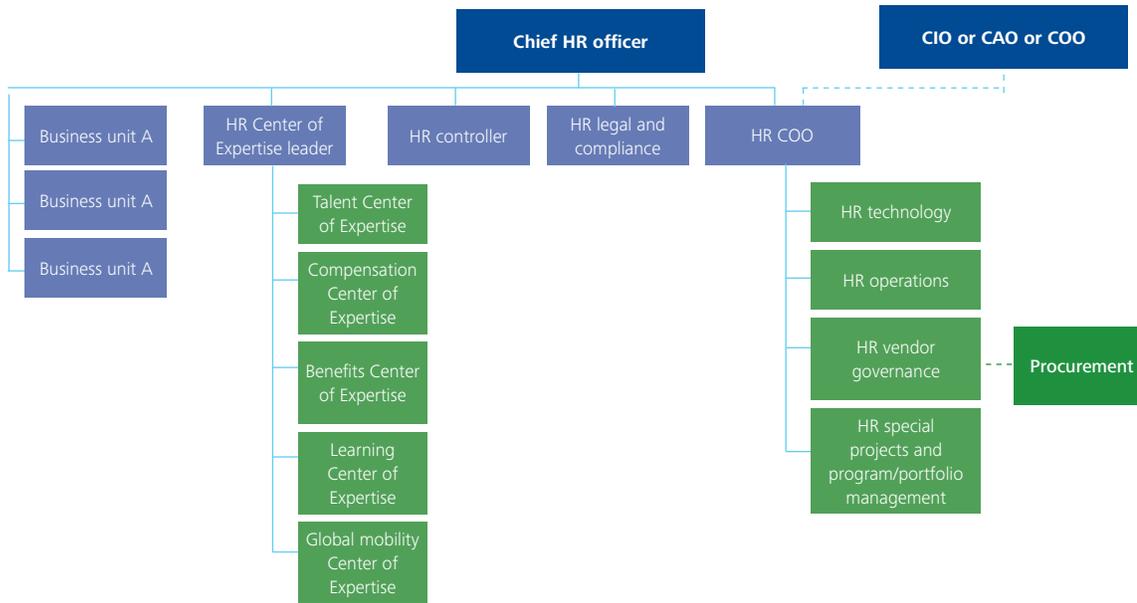
Sample 1: Formal and structured HR COO model



Source: Deloitte

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Sample 2: Influence-based HR COO model



Source: Deloitte

