



## TALENT, ORGANIZATION & PEOPLE SOLUTIONS

# Redesigning HR for Maximum Impact: The Strategic Operating Model Your Business Needs Now

**The days of HR as a purely administrative function are long gone. Today's most successful organizations are strategically designing their HR functions to drive business outcomes — but many leaders are still missing the mark.**

In today's hypercompetitive business landscape, your HR function is either a strategic accelerator or an expensive burden. As organizations face unprecedented talent challenges, with rising workforce costs and the need for continuous transformation, the structure of your HR function directly impacts bottom-line results. To secure a competitive advantage, modern HR operating models must be agile, be responsive, and deliver measurable value, serving as a catalyst for enhanced business performance.

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## From Outdated Models to Strategic Enablers

The foundation of contemporary HR structures has evolved significantly, transforming HR from an administrative role to a strategic partner. This evolution led to the widely adopted “three-box model” of HR delivery, comprising HR business partners, centers of excellence, and shared services.

While this model has become the dominant paradigm, successful organizations adapt this framework to their specific needs rather than implementing it uniformly, as Human Resources needs to align with the business model, not a textbook.

## The Three Models That Define Today's Leading HR Functions

Our research has identified three distinct approaches that define the spectrum of leading HR operating models based on the actual HR services you need:



### Business-Led HR (Enhanced Strategic Partner Model)

This model, complemented by streamlined versions of other components, focuses on the role of HR business partners who know the business model. Business units are empowered with their own HR teams that report directly to business leadership, while a lean corporate HR function concentrates on policy and governance. While this model fosters strong business alignment and agile decision-making, it can also lead to inconsistencies and resource duplication across the organization. There is a risk of operating at a high cost to serve at the enterprise level in exchange for business units having a higher level of service.



### Hybrid Partnership (Balanced Three-Box Model)

This model closely aligns with the contemporary HR operating model. HR professionals operate with dual reporting lines to both business and HR leadership. Specialized centers of excellence provide expert support, while business partners cultivate close relationships with business units. Shared services ensure efficient handling of administrative tasks. This model balances consistency with flexibility but requires sophisticated governance mechanisms to manage matrix relationships effectively. Cost to serve should be in the median benchmark.



### Corporate-Led HR (Centers of Excellence Dominated)

This model centralizes authority within centers of excellence, which define frameworks, policies and processes. In this design, HR services are delivered through shared service centers, with business partners primarily serving as liaisons. While this model excels at driving enterprise-wide initiatives and better potential for managing cost, it carries the risk of becoming bureaucratic and losing touch with specific business needs.

## The Financial Impact: Getting Your HR Operating Model Right

The financial stakes of choosing the right HR operating model are significant. Our analysis shows:

- Organizations with misaligned HR operating models spend 20–30 percent more on HR services while delivering lower satisfaction to both employees and business leaders.
- Properly structured HR functions operate at a 40 percent lower cost per employee than their inefficient counterparts.
- Top-quartile HR functions generate 3.5x greater business value than bottom-quartile organizations.
- Companies with the right HR operating model see 18 percent higher workforce productivity and 22 percent stronger talent retention.



Organizations that strategically align their HR operating model with their overarching business objectives will achieve significant cost reductions, enhanced productivity and stronger talent outcomes.

## Aligning HR Models With Business Strategy

The selection of the most suitable HR operating model should be directly informed by your organization's overarching positioning strategy:

**Cost Leadership Strategy** Organizations prioritizing operational efficiency and rigorous cost control should consider a Corporate-Led HR model. This model emphasizes standardized processes, centralized shared services, and workforce planning focused on productivity metrics.

**Differentiation Strategy** Organizations focused on creating unique, premium products or services benefit from a Hybrid Partnership model. This model balances talent acquisition for specialized capabilities with consistent processes that support scale and efficiency.

**Focus/Niche Strategy** Organizations serving specific market segments should adopt either a Business-Led HR model (for smaller organizations) or a Hybrid Partnership model (for larger organizations). These models facilitate the deep talent insight required to address niche market requirements.

**Innovation-Driven Positioning** Organizations pursuing groundbreaking products or business models benefit from Business-Led HR with embedded HR partners in innovation teams and should implement a performance management system that encourages experimentation and risk-taking.

**Customer-Centric Approaches** Organizations committed to customer experience excellence require a Hybrid Partnership model with strong business partner capabilities to ensure HR practices directly support employee and customer satisfaction.



Technology has become a key transformation driver; the future-ready HR function must embed digital data-driven solutions and Gen AI tools across services.

## The Digital Transformation Imperative

As organizations pursue greater agility, scalability and personalization, technology has become a key driver of HR transformation. The future-ready HR operating model is anchored in three core pillars:

- **Strategic Talent Advisors Embedded in the Business.** HR business partners are evolving into strategic talent advisors, leveraging predictive analytics, AI copilots and workforce insights to shape talent strategy, build future capabilities, and align leadership around business priorities.
- **AI-Enabled Centers of Expertise.** Centers of expertise across Talent, Rewards and Learning are harnessing the power of AI to generate real-time insights, run sentiment analysis, and design personalized, data-driven programs.
- **Digital Front Door for Employees.** Employees now engage with HR through intelligent, unified platforms that streamline and personalize their experience. Generative AI chatbots provide process guidance, and skills-based marketplaces connect talent with internal projects and roles.

Companies investing in this digital integration are seeing tangible returns. Early adopters report:

**35%**

reduction in  
administrative costs

**40%**

improvement in employee  
experience metrics

**25%**

faster time-to-hire  
for critical roles

**60%**

increase in internal  
talent mobility



# Your Action Plan: 7 Critical Steps to HR Transformation

To transform your HR function into a strategic enabler, focus on these seven high-impact steps:

## 1 Conduct a Strategic Alignment Assessment

Map your business strategy against your current HR operating model to identify critical gaps and misalignments in service delivery, capabilities and costs.

## 2 Define Your Decision Rights Framework

Establish clear governance mechanisms that delineate decision-making authority across HR functions, ensuring accountability and eliminating ambiguity in execution.

## 3 Design Your Optimal HR Structure

Select and tailor the right operating model — Business-Led, Hybrid Partnership or Corporate-Led — based on your organization's strategic priorities and culture.

## 4 Build Your HR Technology Roadmap

Assess your current tech stack against future requirements, while identifying investments needed to enable AI-powered talent insights, automated transactions and enhanced employee experiences.

## 5 Develop an HR Talent Strategy

Identify skill gaps in your current HR team and create a plan to acquire, develop or outsource critical competencies required for your new operating model.

## 6 Create Your Business Case

Quantify the expected return on investment (ROI) from your HR transformation, including efficiency gains, headcount optimization, improved business outcomes and enhanced employee experience metrics.

## 7 Launch Smart and Scale Strategically

Start your transformation with high-impact, achievable initiatives to generate momentum, and design an implementation sequence that balances quick wins with long-term structural changes.

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