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**STRATEGIC HUMAN RESOURCES
MANAGEMENT: AN IDEA WHOSE TIME
HAS COME**

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Strategic Human Resources Management: An Idea Whose Time Has Come

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It seems logical that human resource management practices should be an important part of the strategy of any large corporation. The annual reports of most corporations argue that their human assets are their most important assets. For many organizations compensation is one of the largest, if not the largest cost. In service organizations it often represents 70 to 80 percent of the total cost of doing business. When training costs and other human resource management costs are added to compensation costs, the human resource management function often is responsible for a large portion of an organizations total expenditures.

The importance of the human resources of an organization do not stop with the cost side of the business equation. Even in situations where human resources account for very little of the cost of doing business, they account for a high percentage of the revenue of the business. In essence, without effective human resources companies are likely to have little or no revenue, even the most automated production facilities require skilled motivated employees in order to operate. There is evidence that senior managers are becoming more aware of human resource management issues and are assigning them more importance. One study, for example found that in 86% percent of large companies senior managers are spending more time on human resource issues (Lawler, Cohen, and Chang, 1993).

Role of Human Resources

Despite the compelling arguments in favor of human resource management being a key strategic issue in most organizations, there is good reason to believe that historically, human resource executives have not been and are not now strategic partners (Skinner, 1981). Instead of being strategic partners, the function has been largely an administrative one headed by individuals whose roles are largely focused on cost control and administrative activities. Figure 1 summarizes this administrative model of the human resource function.

One recent study of large corporations and another study which focused on a cross section of firms found that the major focus of most human resource functions is on cost control with respect to health care and on a host of other administrative issues (see Table 1) (Lawler, Cohen, and Chang, 1993; also see BNA, 1994). Missing almost entirely from the list of issues were such key organizational performance areas as improving productivity, improving quality, and increasing the ability of the organization to bring new products to market. Since it is likely that the organizations saw these areas as important, it raises the

question of why they are not the most important ones for the human resources executives. Most likely, the executives in these firms simply saw these as issues that are not ones which the human resource function can impact.

The inability of the human resource management function to influence strategy and contribute to its implementation often starts at the top of the organization where the chief human resource executive is not part of the senior management team. Instead of reporting to the CEO, he or she often reports to an executive at the next level of the

Figure 1 Model 1 - Administrative¹	
AIMS	<ul style="list-style-type: none"> • Free up the line to focus on the business • Reduce wasted internal energy
PROCESS	<ul style="list-style-type: none"> • Establish policies, rules and systems to create internal equity • Functional orientation - get the basics in place • Personnel Administration • Government Regulation • Labor Relations
PLANNING	<ul style="list-style-type: none"> • No formal consideration of HR (personnel) factors in the business planning process; post-hoc action planning by HR (personnel) function
¹ Based on Evans (1994)	

organization. This in turn often results in a pay level which is lower than that earned by heads of staff functions such as accounting, finance, and information systems. Because human resource management executives are not a part of the senior management team, they are not even present when many important strategy issues are considered.

There is some evidence that human resource management executives are playing a more major role in corporate strategy formulation and implementation (Mohrman and Lawler, 1993). Their pay and their reporting relationships are rising. In corporations such as TRW, GE and Motorola, they have already moved beyond their role as administrators. They are increasingly becoming involved in strategic analysis and change management. These positive developments for the field of human resource management raise a set of

Table 1 Highest Priorities for the Next 5 Years	
Percent Mentioning:	
Benefits Medical	32
Caliber of Workforce	29
Staff Training	23
Management Development	19
Retention	15
Diversity of Worker	15
Employee Motivation	8
Innovation/Relevant	8
Productivity	7

interesting questions about what the human resource management function should bring to the party. Clearly, it is one thing to get invited to the table, it is another to sit down at the table and contribute in major ways to the issues that are being discussed.

The literature in the human resource management field is dominated by articles and books which argue for the function adding value primarily as a functional specialist. In this role, it plays a strategic role largely as an implementor of strategy. It requires competence in areas such as training, compensation, selection, and so on. In these areas human resource managers can and should bring up to date technical knowledge and implementation knowledge. This expertise should help an organization develop a competent, well motivated work force that can execute a strategy. The human resource function also should be able to help the organization control its labor costs and be sure that they are comparable or perhaps better than those of other organizations. In this scenario the human resource function should focus on administration, benchmarking, and developing its technical knowledge of the various specialties within human resources management. The summary of this approach is presented in Figure 2. It argues that the human resource function should be world-class in its technical specialties and contribute to the organizations strategy and performance by being an outstanding support function with respect to its areas of knowledge. It represents a significant step beyond its traditional administrative role which is captured in Figure 1.

Figure 2	
Model 2 - Human Resource Management¹	
AIMS	<ul style="list-style-type: none"> • Business orientation • Services provided expressed as outputs or products • Voice of the customer
PROCESS	<ul style="list-style-type: none"> • Build performance management capabilities • Development of managers - linking competencies to job requirements and career development • Succession planning • Enhancing organization change capabilities • Building a HR network organization wide
PLANNING	<ul style="list-style-type: none"> • Business plans “inspected” by HR (and all other functions); inputs from HR may be inserted in the planning process
<small>¹ Based on Evans (1994)</small>	

Organization and Competitive Advantage

There is a third role with respect to strategy, which I believe the human resources function can play and which potentially can lead it to being a much more important and valuable strategic partner. It starts with the view that the key to gaining competitive advantage in many businesses rests in the capabilities that an organization develops (Lawler, 1992).

Organizational capabilities are those competencies which an organization has that allow it to perform in strategically important ways. They are different than the core competencies which are often identified as competitive advantages for organizations in the business strategy literature (Prahalad and Hamel, 1990). Core competencies are the technical capabilities that an organization has. These can include knowledge of chemical processes, engineering knowledge, and so forth. Organizational capabilities are organizational

learnings that exist about how to function effectively as an organization in ways that lead to superior products and/or services. They are the performance capabilities which allow an organization to gain competitive advantage because they can organize and manage work better than their competitors. They rest in the management systems an organization creates and in the knowledge and understanding of employees about how the organization works and how to get things done.

Organizations have rarely seen their ability to perform as an organization as a competitive advantage. Instead, they have looked to their technical knowledge or core competencies, their financing, their ability to access markets, their control of natural resources and a host of other factors as places where they have found competitive advantage. The problem with many of these historical sources of competitive advantage is that frequently they are hard to defend and are available to a wide variety of other organizations. As trade barriers have fallen, for example, market access has become easier to obtain. As the economy has gone global, it is hard for any organization to gain a competitive advantage by its ability to finance operations in a superior way.

Indeed, in a number of respects, the last sustainable competitive advantage available to most organizations is the ability to organize and manage. There are a number of reasons why this advantage is potentially important and sustainable. Properly developed organizational capabilities can allow an organization to perform in ways that no other organization can and that are particularly pleasing and important to customers.

Many of the very things that make organizational capabilities a powerful competitive advantage, make it difficult for organizations to acquire them. Organizational capabilities rest in multiple systems and in multiple parts of an organization. As a result, it takes a considerable period of time to establish them. New systems have to be developed, integrated with other systems, and ultimately perfected to the point where they produce an organizational capability. Finally, organizational capabilities usually need strong leadership in order to come about. Since they cross functions and are often expensive to create, they are not something that a single staff or line area can produce. They require the entire senior leadership of the organization to agree that they are important to develop and it requires them to directly and actively support their development.

Because organizational capabilities are often hard to develop, they are also hard to duplicate. When organizations try to copy a capability, they cannot do it simply by copying a pay system practice or an information system practice, it requires adopting over a long period of time, a broad set of practices that often involve most of the important systems in an organization. These capabilities can be the key intellectual property of the organization. Because the intellectual property of an organization is held by no one individual and rests in no one system, even if an individual leaves, an organizational capability rarely leaves.

The list of capabilities that organizations can develop is a long and continually growing. Organizational effectiveness often requires that organizations have world-class performance capabilities in several areas. Simply being good at quality, for example, often is not enough. It may need to be combined with the ability to learn and the capability to respond quickly to changes in technology and the market place. The key for any organization is to develop a portfolio of world-class capabilities that fit its business strategy and offer the opportunity for long-term sustainable competitive advantage. A few examples will help to better develop what is meant by an organizational capability.

Organizational Capabilities

One of the most obvious organizational capabilities is the ability to focus on quality. This particular organizational capability has received extraordinary attention in the last decade because of the total quality management movement. As total quality management experts have correctly emphasized, developing a quality focused organization is not a matter of changing one function, one aspect of an organization, nor having senior management give speeches on quality. It is a matter of all of these occurring in a concerted and coordinated way such that senior management behavior supports quality, reward systems support quality, training and development systems support quality, the information system supports quality, the design of work supports quality, and so on. It is only when all of these systems are aligned that the organization is likely to have a world-class quality capability. Organizations such as Xerox and Motorola, which have done an excellent job of developing this capability, highlight this point quite well. They did not develop an organizational capability in quality quickly or easily, in both cases it took years of sustained and focused change efforts. Now that they have this capability, however, it provides them with a powerful competitive advantage that is difficult for other organizations to duplicate.

Innovation is another corporate capability that has served companies such as 3M and Rubbermaid extremely well. These two companies have an extraordinary ability to create new products and to regularly get a high percentage of their sales from products introduced in the last few years. The development of their capability to innovate is not the product of a simple change in a single system. In the case of 3M, for example, it represents a convergence of how they budget, the kind of people that are put into management and technical positions, their reward system, and of course their capital expenditure program. All of these are targeted toward the development, support, and maintenance of an organization that is highly innovative and regularly brings new products to market.

Because 3M is exceptionally good at innovation, they are often studied and benchmarked by companies that wish to become more innovative. Interestingly enough, companies that benchmark them are rarely able to develop anywhere near the capability that 3M has to innovate. The reason for this is obvious. At least in the short term, the amount of change and the interfaces among the systems in an organization

that are required to produce an organizational capability in innovation makes it an extremely difficult capability to copy or duplicate. Thus, organizations that try to develop the kind of innovative capability which 3M has, often need to spend years and perhaps even decades changing their organization so that they can begin to perform as 3M performs.

I could go on to mention in detail other organizational capabilities that can provide competitive advantage, but that would be beyond the scope of this paper. I would, however, like to at least mention some other capabilities so that the reader has a further idea of what is meant by an organizational capability. The ability to quickly get products to market, a strong focus on customers and customer needs, the ability to operate in a global manner, the ability to partner, the ability to manage change, the ability to learn, the ability to predictably and regularly grow and finally, the ability to operate in an extremely low cost manner, are all examples of organizational capabilities that can potentially provide competitive advantage to an organization.

Role of Human Resources Function

All of the organizational capabilities discussed here require supportive human resource practices that are integrated with other key elements in an organization's design. A focus on organizational capabilities, therefore, creates the opportunity for the human resource function to be a major strategic player in the design and operation of organizations. In order to be successful, every strategy requires that an organization be able to function in particular ways and with particular organizational capabilities. This means that human resource executives can and should be involved in the strategy formulation process, as well as, in the strategy implementation process.

The human resource function is particularly well positioned to provide input about the current capabilities of the organization as well as what the possibilities and obstacles are to developing new capabilities. Because of this, it should play a major role in determining what strategies are feasible and what the difficulties will be in implementing particular strategies. This is a particularly important point and bears repeating: the human resource function should be a strategic partner not just in implementing strategy, it should be a partner in developing it. All too often in the past, human resource managers are invited to join strategy discussions, only after the strategy has been developed. The human resource function is then asked to implement systems that will make the strategy successful. The argument here is quite different. It argues for the human resources function to be an important player in the strategy discussions because of its unique ability to understand the performance capabilities of the organization.

It is hard to argue with the view that once a strategy has been selected, the human resources function needs to be involved from an implementation standpoint. As has already been noted, this has often been its role and needs to continue to be part of its role. However, a strong case can be made for the human resource organization needing to be involved in the implementation of strategy beyond just the traditional human resources areas of pay, training, selection, management development, etc. Its greatest opportunity to add value may well be through recognizing the inter-relationships among the different functions and areas of the organization, and how these inter-relationships lead to organizational capabilities.

Figure 3

presents the key elements of the model that is being suggested here. It argues that the human resources function should be involved in organization design, work design, as well as in how information systems, budgeting processes, and all of the other

Figure 3 Model 3 - Business Partner¹	
AIMS	<ul style="list-style-type: none"> • Line management owns HR as a part of their role • HR is an integral member of management teams • Culture of the firm evolves to “fit” with strategy and vision
PROCESS	<ul style="list-style-type: none"> • HR organized flexibly around the work to be done (programs and projects, outsourcing) • Focus on the development of people and organizations (road maps, teams, organization) • Leveraging competencies, managing learning linkages, building organization work redesign capabilities • Leadership development
PLANNING	<ul style="list-style-type: none"> • An integral component of strategic and business planning by the management team
<small>¹ Based on Evans (1994)</small>	

critical functions in the organization are designed and inter-related. In short, the human resource function should be a major player in creating organizational capabilities and, therefore, creating an effective organization.

In many respects, the role that I have described for the human resource function may best be described as an organizational effectiveness function. Clearly, this is a very different role than the traditional administrative role which it has had over the last decade. It is a role, however, which has the potential to position it as an important value added function and which clearly establishes it as a strategic partner with the line and other functions in the organization. It is also the logical evolution of the human resource function in the sense that it takes into account the interface between the areas it has historically had responsibility for and the other parts of the organization. It clearly establishes that the human resource management systems and practices of an organization need to be in alignment with the other parts of the organization and with the business strategy.

The element of alignment or fit, too often, is missing in the human resource management systems of organizations. All too frequently human resource managers search for the best way to pay people, the

best way to develop them, the best way to select them, and so forth. The result has been a function that is dominated by subject matter experts who have a particular approach to sell. Too often, they do not understand the overall human resource function, much less the overall operations of the organization, as a result they can not design human resource systems to fit an organization's strategy. This has often meant that many organizations essentially have done the same thing with respect to human resource management. As a result, the only way an organization can gain competitive advantage is through executing the same systems in a superior manner. The argument here is that competitive advantage can be gained not just from having different systems, but by having different interfaces between the practices in human resource management and the practices and systems that make up the rest of the organization.

Underlying my argument so far, is the belief that organizations can best find competitive advantage through their ability to organize, not through having superior human resources. The implication of this for the human resource function is significant. Often human resource executives have argued for human resources as a source for competitive advantage, an understandable emphasis given their responsibility and desire to develop the human resource function as an important and respected function. The problem with this approach, however, is that human resources rarely provide a sustainable competitive advantage and it is not a source of competitive advantage that other parts of the organization easily accept as one that should be emphasized. More acceptable, more sustainable, and potentially more advantageous is an emphasis on the organization's ability to perform in particular ways, in short, its capabilities. Every part of an organization can understand that for an organization to win in the marketplace it has to be able to perform better than its competitors.

The challenge for the human resource function is to identify what better performance means and then to become expert in the kind of organizational policies and practices that produce it. To do this, the human resource function has to be an expert in human resource management as well as in other areas that influence organizational performance. Once a human resource management function decides to focus on organizational capabilities, it needs to look at its own structure and ways of operating to see if they match its new role.

Structure of the Human Resource Function

In order to be a strategic partner, the human resource function needs to be structured and staffed in a way that provides it with access to strategic discussions and decision making. Figure 4, which is based

Figure 4		
Key Changes		
	Functional Specialist	Business Partner
NATURE OF HR PROGRAMS AND FUNCTIONS	Responsive → Operational → Internal →	Proactive Strategic Societal
CREATION OF HR STRATEGY AND POLICY	HR Department has Full Responsibility →	HR Department and Line Management Share Responsibility
ORGANIZATION OF HR FUNCTION	Employee Advocate → Functional Structure → Reporting to Staff →	Business Partner Flexible Structure Reporting to Line
PROFILE OF HR PROFESSIONALS	Career in HR → Specialist → Limited Financial Skills → Current Focus → Monolingual → National Perspective →	Rotation Generalist Financial Expertise Focus of Future Multilingual Global Perspective

on a study that asked line and human resource managers what it should look like, helps define what is involved in a human resource function changing from a specialist role to a business partner roles (Towers, Perrin, 1992). This change starts at the top of the organization and means that the head of human resource function needs to be part of the senior management group. It also means that in each business unit of the organization, there needs to be a human resource generalist who is part of the management team for that area. These senior generalists are the key individuals in creating a human resource function which is a strategic partner. They need to be knowledgeable about the business as well as knowledgeable about the human resource function. This, of course, raises the whole issue of where they are to be found and what kind of career and training they should have.

Increasingly, organizations which are moving to a more strategic human resource model are filling senior human resource positions with line managers who do not have any experience in the human resource

function. This is somewhat understandable given the importance of having someone in these positions that understands the business. However, it is far from ideal since it is also important that someone in human resources management have expertise in it. The ideal person for this role is one who has had experience within the function as well as in a line management position. In the future, it is important that organizations rotate individuals in and out of the human resource function so that they can develop managers with the kinds of skills it takes to be strategic partners. They also need to take advantage of the many business school based programs that train managers in finance, marketing, production, and other key functions. Finally, human resource managers need to share jobs with managers in other functions and sit on key business task forces and teams in order to broaden their business knowledge.

Beyond the need for a senior human resource generalist in each business area there are few, if any, given with respect to the staffing and structuring of the human resource organization. Administrative services such as payroll and benefits traditionally have been provided by a centralized human resource staff, but can be provided in a number of other ways depending on the organization's business strategy. An increasingly popular approach is to outsource these administrative services in order to control costs and develop a clear customer relationship with the providers of these services. The alternative to outsourcing them is to create regional or national processing centers that duplicate the kind of service that an outsourcing organization provides. These centers can then be benchmarked against the quality and cost of service that can be received from an outsider and they can be trained and organized in a way that gives them a clear customer focus. Customer satisfaction can be measured and small groups of service individuals can be grouped around particular groups of customers. This approach can be particularly appropriate with respect to administering benefits, compensation, dealing with retirees, and managing employee relocations. For example, Corning has organized a centralized group that manages the pay and benefits delivery process. Within this area, small groups of administrative people are focused on particular groups of employees so that there is clear responsibility for service and customer relations.

External experts in human resource management bring things to an organization that are difficult to get from internal experts. First, they often have easier access to information and experience with respect to what is going on in other organizations. As a result, they can provide valuable insights into the best practices which are available. Secondly, they are much easier to eliminate when their expertise is not needed anymore. One of the characteristics of expert work in human resource management is that the need for particular kinds of expertise expands and contracts over time, depending upon whether system development is occurring or the organization is in a period of system operation. Thus, it is important that the human resource staff be flexible so that it can quickly change its mix of resources when a development process is over and administration is needed.

Regardless of whether the administrative services are delivered by an in-house service unit or contracted out, it may be desirable to have some human resource subject matter experts who are full time employees of the organization. They are needed to monitor the technical quality of the work done by the internal and/or external service units and to be sure that the systems are designed to meet the strategy of the organization. Potentially, this kind of expertise can be provided by outside consultants, but there is a clear risk in relying too heavily on the external consultants. If an organization lacks internal expertise, it is not likely to be positioned to evaluate the quality of the consulting help that it gets, nor to manage and direct it so that it supports the business strategy.

Process Organizing

In order for the human resource function to support an organizational capabilities approach, it is critically important that experts in areas like compensation, selection, and training have the ability to relate their specialty to other systems. Often, in the traditional human resource department, the specialization level is so high that little integration occurs among the different activities. For example, training is not related to performance appraisal, pay systems and development are not related to selection criteria, and so forth. One way of forcing the integration of experts in areas like pay, selection, training, etc., is to organize them around the key strategic processes in the human resources function. Directors of key processes can be appointed, with the mandate that they integrate the different human resource specialties which support the key processes. An alternative to the director approach is to use a more team based model in which process teams are created. These teams can be staffed by functional human resource experts in areas such as testing, selection, training, management development, and so on. With effective team building and clear mandates concerning their responsibilities and accountabilities, it is possible that these teams can integrate their specialties in a way that produces a more integrated operation of the key human resource management activities.

Depending upon how the organization is designed, somewhat different processes may be identified, but there are some that are likely to be common across most or all organizations. For example, one process that is normally within the human resource function involves the recruitment, staffing, and development of human resources. Another major process involves the motivation and rewarding of individuals, teams, and organizational units. This performance management and reward process can take place at different levels of aggregation. That is, at the individual, group or business unit level.

There may be a focus on the human resource information system. With networked computers there is a potential for the human resource function to create a human resource information system (HRIS) that is more than just a record keeping function. It can be an important support to human resource management, career development, and organization design. An important human resource issue, here, is linking the kind

of data which go into a HRIS system to the kind of organizational capabilities that the organization wants to develop. In addition, the HRIS system needs to be able to adapt to change and distribute data in ways that are consistent with the organization design and how important staffing decisions are made.

Finally, organization development represents a key process that should be a focus of the human resource function. There are elements of training and development in this process, but it also needs to focus on the measurement of employee attitudes, culture, and performance. It needs to be concerned with organizational arrangements and the fit between these and the strategy of the organization.

System Development

There is one final critical point that needs to be made about the human resource management systems and practices in an organization. In Model 1 and Model 2 organizations, the human resource systems and practices are often developed by the human resource function or outside experts. They are also administered by specialists. The rest of the organization, as a result, often has little ownership over them. When problems develop it is common for managers and others to simply say “go see the human resource people, it is their system”. This has two major problems. First, many of the systems need strong support by the total organization in order to be successful. This is particularly true, for example, in areas such as performance appraisal and pay. Second, it is extremely labor intensive and costly to have a large enough human resource staff available to answer the many questions that get referred to it when the line organization doesn't take responsibility for managing the systems.

The development of an organization wide ownership over human resource systems begins with the development process. It is critical that the systems be developed by representative groups from all parts of the organization. One approach, is to use a diagonal slice task force that draws members from all levels of the organization and from multiple functions. The task force needs to be instructed and trained to communicate and link itself to the rest of the organization and its work needs to be visible and well publicized. Proposals need to be checked with the rest of the organization and a sign off on the final product obtained.

When a broad based system development process is used it increases the likelihood that the human resource systems will be owned by the organization and that people throughout the organization will have the information and expertise to operate it. It also has the obvious advantage of decreasing the need for human resource people to run the system and it can decrease the expectation that the human resource department can and should make the systems operate effectively. The fact of the matter is that although the human resource function has technical expertise and can aid in the development of the systems, their successful operation often depends upon the rest of the organization and its willingness to implement and use the right practices.

Managing Dualities

It is important to stress that moving to a strategic partner role does not mean that human resource managers can completely forget about the activities that are part of the Model 1 and the Model 2 approaches to human resource management.

They still need to be concerned about some of the custodial and staff support activities even if these have been outsourced. This creates a challenging set of dualities that every human resource manager must be aware of. They are presented in Figure 5. Model 1 calls for most of a human resource executives time being spent on the left side of these dualities. Movement to Model 3 and a business partnership approach involves

Figure 5		
Dualities in the Human Resource Role		
Follower	————	Leader
Reactive	————	Proactive
Administrator	————	Strategist
Controller	————	Business Partner
Conscience	————	Business Person
Employee Advocate	————	Manager
Doer	————	Consultant

human resource managers spending the majority of their time on the right-hand side of this list. It does not mean completely abandoning the left-hand side, however.

There still are certain issues where the human resource function needs to be a controller and to audit how individuals throughout the organization are behaving. At times it is also appropriate for the human resource organization to be the conscience of the organization and to be an advocate of employee well-being. It is still necessary for the human resource function to react to certain legal issues and to crises concerning employee well being and organizational change. Finally, human resource managers still need to actually do some human resource administration. Only so much of it can be put in the hands of the line managers.

Careers in Human Resources

Model 3 has significant implications for the kind of career opportunities that are available in human resource management (Ulrich, Brockbank, and Yeung, 1989). There still should be limited opportunities within corporations for individuals who are specialists in particular areas of human resource management. These include specialists in information systems, compensation, and training, in short, the traditional human

resource specialties. Most of the careers in these areas, however, may end up being in consulting firms and vendors rather than in traditional organizations.

Perhaps the most exciting career opportunities in organizations are those available to generalists in the human resource function who understand how to be business partners with the line organization. In order to develop the right skills, their career tracks need to be a different one than has traditionally been available to human resource managers. It needs to include holding jobs in the human resource function, in line management, and perhaps in other functions.

Summary and Conclusions

The argument has been made that the human resource function can and should be an important strategic partner, but that to accomplish this, it needs to significantly change from a custodial administrative role. One alternative is to become a developer and manager of the human resources of an organization and to argue for human resources as an organizations most important competitive advantage. A second alternative is to develop the human resource management function as a critical player in creating an effective organization. In this approach, the human resources function should be positioned to have particular expertise in the development, maintenance, and identification of organizational capabilities. As such, it should play a major role in influencing the strategy of an organization as well as in implementing whatever strategy an organization chooses. It should influence strategy on the basis of input about what the current capabilities are of an organization and what it will take to develop new ones.

In the strategic partner approach perhaps the most important role of the function is to design human resource management systems which interface effectively with the other systems in an organization in order to produce the desired organizational performance. More than any other function, it should be in the position to assess the performance capabilities of the organization and to understand how they can be enhanced and changed. In this approach, the services which it has traditionally offered in areas like benefit administration and training should be treated as services that can be delivered in multiple ways. They can, for example, be delivered by a central corporate staff group, delivered at the local level or delivered by vendors depending upon what is most likely to be effective.

In order to function as a business partner, the human resources function clearly needs to be staffed differently than it has been in the past. Individuals who are specialists in human resources management need to develop their understanding of business strategy and the other business functions. Similarly, line managers need to learn more about human resource management so that they can integrate human resource policies and practices into their strategic planning. Thus, line managers need to spend part of their careers in the human resources function just as human resource managers need to spend part of their careers working in other parts of the organization.

Although the opportunity exists for human resource managers to become strategic partners, by no means is it certain that they will end up in the right kind of partnerships. They need to actively manage the formation of this partnership so that it goes beyond one of simply providing “good human resources” to the organization. Clearly, this is a part of what they should do, but only a small part of how they can potentially add value to an organization and only one way in which they can make an organization more effective. There are a whole host of other things they can do that involve creating human resource systems that develop key strategic organizational capabilities. In the long term, human resource functions can contribute the most and be the best strategic partners by focusing on organizational effectiveness and organizational capabilities rather than on the more limited objective of providing the right human resource talent.

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