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**WHO NEEDS MBAs IN HR?  
USC'S STRATEGIC HUMAN  
RESOURCE MANAGEMENT MBA  
CONCENTRATION**

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"The 'New' HR: A Supply Side Perspective."

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**Who Needs MBAs In Hr?**  
**USC's Strategic Human Resource Management MBA Concentration**

by  
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"The 'New' HR: A Supply Side Perspective."

**INTRODUCTION**

Article after article on the future of U.S. corporations stresses the importance of HR skills for line managers and "business partner" skills for HR managers. Despite this very few MBA programs offer concentrations in HRM. Most university programs in HR are specialized undergraduate or graduate programs often located in schools of industrial relations.

Recognizing a void, in 1996 the Marshall School of Business at the University of Southern California launched an MBA concentration in Strategic Human Resource Management. It is aims to prepare graduates to design and implement human resource management approaches and organizational designs that actively contribute to the strategic goals of organizations.

The evidence so far suggests that our initiative does indeed meet a need. Our program has grown in size and visibility. In this article we describe the genesis of the program, its rationale, and its components.

## **GENESIS OF THE CONCENTRATION**

The origins of our SHRM concentration lie in a series of discussions among the faculty of the Management and Organization department concerning our mission and role in the Marshall School. The department faculty was particularly strong in the “organizational effectiveness” area, with faculty well-known for their work in organizational design, motivation, leadership, change management, and strategy implementation. These department strengths were complemented by those of two affiliated research units, the Center for Effective Organizations and the Leadership Institute. However, as in many Management departments our teaching mission was essentially a service one, providing general management skills to the broad spectrum of MBA students, on the premise that all managers need these skills.

Our discussions revealed a broad consensus that human resource management -- understood both as the functional responsibility of the HR department and even more importantly as the responsibility of the entire management of an organization -- was becoming a strategic imperative for a growing number of firms. We noted that for many years, phrases like “People are our most important asset” figured in corporate annual reports, senior executives’ speeches, and consultants’ recommendations; but the practices that correspond to such pronouncements were found in only a small fraction of firms. Further, HR managers were rarely business partners; most were administrators of a large bureaucratic staff function that added little value. Based on our research and consulting, we had all come to the same conclusion: the growing pressure of competition in an increasingly globally-integrated, technologically-sophisticated, and knowledge-based economy was gradually turning effective human resource management into an imperative.

The question naturally surfaced as to whether and how we could contribute to a transformation of Human Resource management. We faced a number of constraints. Given the broad-ranging requirements of a general management education, MBA programs cannot offer the depth of course work afforded by specialized HR/IR programs. Moreover, MBA graduates are not common in HR functions. Indeed, given the relatively low status and starting pay in HR as compared to the alternatives open to most MBA graduates, it was not obvious that a HR-oriented concentration would interest our students.

To help us decide what we could do, we engaged in a series of discussions with senior HR executives in particularly progressive firms, and with leading consultants who worked in the HR and organizational effectiveness areas. Our questions were straightforward: What kinds of recruits do firms need to help them make their people truly their most important asset, and to make HR departments effective business partners? What role can MBA graduates play in facilitating this shift? We discovered a lot of conflicting opinions -- and some potentially exciting opportunities.

## **RATIONALE OF THE CONCENTRATION**

We identified three main opportunities for MBAs and MBA education to help change the way organizations manage their human resources.

First, MBAs could contribute to HR departments that are committed to playing a more strategic role. Our discussions confirmed the thesis that the mission of HR is broadening to encompass activities beyond the traditional administrator and employee advocate roles. More

strategically-oriented HR functions are also playing business partner and change agent roles.

Even as many firms are outsourcing the more clerical and administrative HR functions, jobs and job openings under such headings as “HR generalist,” “organization effectiveness,” and “organization design and development” are multiplying. While the MBA might not be the best preparation for traditional HR roles -- and indeed we had neither the courses nor the faculty appropriate for the preparation these roles require -- it is a good foundation for the business partner organizational effectiveness and change agent roles since it affords a deep understanding of a broad range of business functions.

There was one important point of disagreement among the executives we interviewed. It concerned how much HR functional expertise is required for the HR business partner role. Some argued that a young MBA’s general business skills would be a sufficient foundation, because progressive companies would ensure they learned the key HR functional skills by rotational assignments and short courses. Others were insistent on the need for real HR training and experience as a prequalification.

Second, MBAs could contribute by working for consulting firms that help other organizations manage people more effectively. As firms come under increasing pressure to improve their organizational effectiveness, they are turning more frequently to both specialized HR consulting firms and general management consulting firms. These consulting firms in turn are recruiting more MBAs to work in the corresponding practice areas of change management, organization design, and human resource management systems. Moreover, consulting firms are coming under increasing pressure to help with the implementation of their recommendations, which adds to the urgency they feel to grow their capabilities in these practice areas.

Finally, MBAs in functions such Finance, Marketing, or Operations could also contribute to this transformation by developing their people management and organization design skills and by understanding how human resource management practices influence performance. As more firms come to practice what they preach concerning the importance of human resources, managers in all functional areas and at all levels need to give higher priority to these responsibilities and to the corresponding competencies.

After analyzing our discussions, we concluded that there was a compelling rationale for an MBA concentration in human resources management. In order to accommodate mid-career people, we decided to make it available not only in our full-time MBA program, but also in our part-time MBA program and our MS in Business Administration program the MS program is for people who already have an MBA and want to return to build depth in a functional area.

We resolved too that the minimum requirements of our MBA concentration would occupy only half of the second-year curriculum. This would ensure that our graduates had not only a basic grounding in strategic HR management but also the to opportunity to build skills in a second functional area. For students interested in the first or second of the three career opportunity areas we identified (corporate HR positions and consulting), we felt that a second functional area would greatly add to their credibility as a business partner. And for students interested in the third opportunity area, our concentration would be like a “minor” that they could take alongside their “major.”

We were left with one unresolved issue: what to call our concentration. On the one hand, it was oriented to only one kind of HR work, and HR jobs were only one of the three career orientations we sought to appeal to. Moreover, HR has traditionally suffered from low status.

Perhaps therefore we should call it “organizational effectiveness.”

On the other hand, the shared conviction underlying our initiative was that the traditional low status of HR is precisely what needs to change. Our concentration aimed to help upgrade the effectiveness and status of HR functions as well as that of line managers’ HR responsibilities. This view argued for adopting the HR label rather than avoiding it.

Complicating this debate over symbolism was the realization that our concentration would look nothing like a traditional HR/IR program. To that extent, the HR label might be misleading. A resolution of these conflicting concerns was found in the decision to call our concentration “Strategic Human Resource Management.” Making people management a truly strategic competence was, after all, the goal of our effort.

## **COMPONENTS OF THE CONCENTRATION**

The SHRM concentration follows the core, first-year MBA curriculum. During their second year, students in the concentration take at least four semester-length HR courses. That leaves them time to do a second concentration in parallel. The most popular combinations are with the consulting, operations, and information systems concentrations.

All students take Strategic Human Resource Management, which serves as an integrative course. It provides an overview of cutting-edge issues and practices in all the key HR functional areas, and shows the linkage between these functional areas and the strategic priorities of the organization.

Students also take at least two, more focused courses selected from the following options. Employee Involvement, Motivation, and Performance examines how to design of organizations

to ensure high levels of motivation and performance. Conceptually, this course starts from the individual and moves up to progressively larger units: work groups, departments, organizations. Design of High Performance Organizations takes the opposite route, starting with larger organizational aggregates and moving to progressively smaller ones. It addresses the organization of different kinds of corporations and non-profits, their constituent business units and functional departments, and as well as global operations. While these first two courses are more structural in nature, Organization Development and Change focuses on the process of change. It gives students tools (and experience in using them) for diagnosing problems in individual, group and organization-level performance, and for facilitating change in people and organizations. Executive Decision Making examines individual differences in styles of decision making, creativity, and leadership, and explores the implications for careers and organizational design. Management Accounting Control Systems focuses on the design of financial responsibility centers, setting performance targets, performance measurement and evaluation, incentives, and compensation.

Students also take at least one course designed to develop the interpersonal skills required for an effective SHRM leadership role. Interpersonal Competence and Influence develops diagnostic and behavioral skills, including leading, working effectively in groups, being assertive, managing conflict, giving and receiving feedback, listening, and empowering self and others. Negotiation and Persuasion focuses on effective negotiation for domestic and international business, building skills in negotiation, conflict resolution, teamwork, and persuasion.

All of these courses typically rely more on case studies than on theory lectures. In this way, we attempt to situate SHRM issues in their “natural settings” with all the attendant

complexity. To ensure that students get exposure to real problems, several of the courses involve a field research or consulting project.

## **THE CRITICAL LINK: INDUSTRY PARTNERSHIPS**

The SHRM concentration of the Marshall School has to compete with other, sometimes more lucrative and prestigious options that are available to MBA students. How do we compete?

First, we appeal to the personal convictions of students. There is a small, but not insignificant minority of students who bring to the MBA program strong convictions about the importance of people -- of treating everyone with dignity and respect. Not many business schools offer students an opportunity to make that conviction a career compass.

Second, we appeal to students' self-interest. Thanks to the quality and number of companies already affiliated with the Center for Effective Organizations or linked in other ways to USC, we have been able to bring our concentration to the attention of a sizable proportion of the U.S. companies with progressive HR functions and the consulting firms doing leading-edge HR and organizational effectiveness work. USC is particularly well-equipped with faculty whose reputation in this area goes beyond academia, and this has helped give the concentration real-world credibility with executives who make hiring decisions in this area. As a result, we can offer interested MBA students excellent job prospects in what is a niche market -- niche as compared to the huge market for finance, general consulting, IS or marketing graduates.

Finally, our industry partnerships are crucial to the success of the program. We invite executives from these firms to join students and faculty in Industry Nights. They visit our classes

and help us with the on-going refinement of our courses and of the concentration as a whole.

The message to students is clear: this is an area of growing importance to U.S. corporations,

USC is a leader in the area, and therefore our SHRM concentration can offer exciting career prospects.

## BIOS

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**Edward E. Lawler III** is a Professor of Management and Organization in the Marshall School of Business at the University of Southern California. He joined USC in 1978 and during 1979, founded and became director of the University's Center for Effective Organizations. He has been honored as a top contributor to the fields of Organizational Development, Organizational Behavior and Compensation. He is the author of over 200 articles and twenty-eight books. His most recent books include **Strategic Pay** (Jossey-Bass, 1990), **Employee Involvement and Total Quality Management** ( Jossey-Bass, 1992), **The Ultimate Advantage** (Jossey-Bass, 1992), **Organizing for the Future** (Jossey-Bass, 1993), **Creating High Performance Organizations** (Jossey-Bass, 1995), **From the Ground Up: Six Principles for Creating the New Logic Corporation** (Jossey-Bass, 1996) and **Tomorrow's Organization** (Jossey-Bass, 1998).

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