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Strategic Human Resources Management

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A number of forces have converged to support the idea that HR management should be a major strategic focus in most organizations. Many recent articles, books and studies have argued that HR management can be an important source of competitive advantage if it becomes more strategic (Lawler, 1995; Ulrich, 1997; Brockbank, 1999; Lawler & Mohrman, 2003). The reason for this is clear: corporations are undergoing dramatic changes that have significant implications for how critical human resources are to their performance. Perhaps the most important of these changes is the rapid deployment of information technology and the increasing amount of knowledge work that organizations do. Also important is the rapidly changing business environment and the increasing complexity of modern organizations. These and other changes have created a growing consensus that effective human capital management is critical to an organization's success (Jackson, Hitt, & DeNisi, 2003).

HR Function in Organizations

The future of HR management is inseparable from the future of the HR function in organizations. It is the developer and deliverer of the HR practices and programs in most large organizations. There is little doubt that the ways in which the HR function is organized, managed, positioned and operates in corporations today will change dramatically over the next decade. Significant changes are already occurring because of

the willingness of companies to outsource staff functions that are not viewed as core to their missions, the increasing prevalence of electronic self service web tools, the complexity and variety of new organizational forms, and the criticality of human capital for competing in the knowledge economy (Lawler, Ulrich, Fitz-En and Madden, 2004; Lawler, Boudreau and Mohrman, 2006). These changes raise important questions about how human capital should be managed: What kind of functions should the HR staff perform? What should be done by non-HR managers? How should the HR function be organized in order to add the most value? How can and should HR influence business strategy?

We are entering, or are already in, a time of significant upheaval in the work and responsibilities of internal HR functions, as well as in services and value that HR consulting firms can and do provide to companies. Although it is not clear how these changes will ultimately play out, what is clear is that there will be more and more strategic HR work to be performed and that there will be a significant difference between the work being done by HR functions in companies today and that which will be performed by them in the future (Lawler and Mohrman, 2003).

Staff functions, in general, are under fire in organizations because they are frequently perceived as controlling rather than adding strategic value, and as not responding to operating units' demands for change. They are being asked to change to provide expert support to the strategic initiatives of the company, and to take advantage of technology and other approaches to deliver more efficient and responsive services.

Despite compelling arguments supporting the view that HR management is the key strategic issue in most organizations, HR executives historically have not been

strategic partners (Lawler, 1995; Brockbank, 1999; Lawler and Mohrman, 2003). The HR function has been an administrative function headed by individuals whose roles are largely focused on cost control and administrative activities (Ulrich, 1997).

A number of studies have investigated the potential for the HR function to be a strategic partner and found that it can be an important value-adding function. For example, work by Becker and Huselid (1998) found that there is a relationship between HR practices and firm performance. They found that firms with the greatest intensity of HR practices that reinforce performance had the highest market value per employee. They go on to argue that HR practices are critical in determining the market value of corporations, and that improvement in HR practices can lead to significant increases in market value. They conclude that the best firms are able to achieve both operational and strategic excellence in their HR systems and functions.

Strategic and Business Partnering

Perhaps the major champion of HR as a business partner is Dave Ulrich (see, for example, Ulrich, 1997). He has argued that the HR function needs to become strategically proactive and goes beyond administrative expertise. It needs to be an expert in strategic business partnering, change management, and employee advocacy. Wright, Dyer, and Takla (1999) found that there is a growing consensus in support of Ulrich's model, but that HR is not seen as able to execute on this model.

Given the changes that are occurring in the competitive environment of organizations, many significant opportunities exist for human resource management to become more strategic. The creation and implementation of most business strategies

depends on the quality of human input, usually from many parties possessing diverse knowledge and information about a complex and uncertain world. The effective execution of strategies depends on the quality of organizational leadership, as well as achieving widespread commitment among the workforce. Finally, even when a firm develops a viable and promising strategy that is well executed, its organization design and employees must be able to withstand and adapt to rapid and unanticipated changes in the marketplace (Lawler and Worley, 2006).

Table 1 gives a characterization of the three areas of human resources management (see Lawler and Mohrman, 2003). The first is the administrative one. It is the bread and butter of the HR function, it is the reason the function was created in the first place. The HR function in major corporations has a long history of offering administrative services, while delivering little of value with respect to furthering their strategies. HR is typically positioned as a cost center with a ratio of one HR employee to about every 100 employees. The cost of HR administration is estimated to range from $900 to as much as $2,000 per employee in most large corporations. What do organizations get for this cost?

The evidence suggests that in many cases organizations do not get particularly good or cost effective administrative services (Lawler and Mohrman, 2003; Lawler, Ulrich, Fitz-En and Madden, 2004). It is not a core competency of corporations, and as a result the HR function does not possess the expertise and power needed to provide world-class service. In addition, the function is not large enough to achieve significant economies of scale in order to lower the cost of its services. It also doesn't have the expertise or capital to make significant investments in technology and systems

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development. As a result, all too often HR ends up as a high-cost, low-quality bureaucratic provider of administrative services.

There is no question that HR administration needs to be done, but there is also no question that how well it is done is not likely to provide a competitive advantage. Because more and more firms are recognizing the non-strategic nature of HR administrative services outsourcing in transactional areas such as benefits administration is growing rapidly. This trend mirrors changes that are also occurring in other corporate staff areas including accounting and information services. As companies realize that they cannot build world-class capabilities in all areas, they are turning to outsourcing in hopes of receiving higher quality and less expensive services in those areas where either they can not be world class or decide not to make the investment needed to become world class.

The business partner and strategic partner roles shown in Exhibit 1, are newer, and the ones that as really noted most HR functions seem to have the most trouble delivering (Brockbank, 1999). In some corporations it clearly does deliver on the business partner role, but rarely does it deliver on the strategic partner role. One of the reasons for this is that it often has to spend much of its time dealing with administrative issues (Lawler, Boudreau and Mohrman, 2006).

Figures 1 and 2 amplify the distinction between the business and strategic partner roles. They show that both have some of the same deliverables. The business partner role helps translate strategies into practices and helps with change management and implementation. Many organization development groups in organizations are already active in just this kind of work. Support for it can found in a growing body of research

that establishes links between organizational performance measures and the use of a wide range of human resource management practices (Becker and Huselid, 1998).

The strategic partner role does more than the business partner role. It provides strong input and direction to the formation of business strategy, something that does not happen with the business partner role. In order to have HR issues influence the strategy of organizations, an organization needs to have good metrics and analytic data about human capital, human capital management practices, organizational capabilities, and core competencies (Boudreau and Ramstad, 2003; Lawler, Levenson and Boudreau, 2004). It is a role that isn't well developed in many organizations and admittedly doesn't have as large a research base to draw on does the business partner role. However, it has the ability to be a major value adding activity if it improves the strategy development process.

Information Technology and Human Resources Management

HR functions need to reinvent themselves if they are to deliver administrative services and offer strategic advice and services. They need to do this in a world of increasingly rapid change and the movement of most company functions onto the Web. HR management needs to become part of the movement of business onto the Web. In addition to moving HR administrative functions onto the Web, organizations need to create Web-based metric and analytic models that provide the kind of human capital information that improves strategy formulation and implementation.

Figure 3 illustrates the relationship between information technology and the three major roles that Human Resource management can plan in the modern corporation. These three roles range along a continuum from contributing to the company's strategy –

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highly uncertain, experience-based knowledge work requiring expert judgment – to transactional service work emphasizing production efficiency and service standards reflecting ease of use, responsiveness and accuracy. The three HR roles entail different expertise, different mixes of routine or non-routine knowledge work, and different IT tools.

Transactional Personnel Services

For decades, the transactional work performed by HR has largely been paper based and labor intensive. It includes activities involved in advertising and filling a job, the administration of compensation and benefits, preparing personnel policies and distributing them, changing company records to keep up with employee changes, assuring adequate records of performance appraisals, and even purchasing products from vendors. In addition, many kinds of training have been done in essentially a labor-intensive mode even when this learning is of a rote nature.

Today, virtually all of the transactional work of HR can be done in a self-service mode on computer-based intranet systems. The movement of these transactions to self-service on the web is inevitable, for several reasons. First and foremost, the traditional way this work has been done is costly and, in many instances, slow. It is often justified by emphasizing the importance of personal contact with employees, but it is not clear that this kind of personal contact is even desired by employees, much less worth the costs involved in delivering it.

As shown in Figure 3, the greatest overlap between IT and HR management occurs in the routine personnel administrative services role. Through the automation of

these simple transactional processes and by fostering employee self-service, HR can eliminate multiple step paperwork that consumes a large percentage of the time of the HR staff and reduce the costs of HR administration. However, even with the most advanced IT systems there is a need for some personally delivered knowledge-based services – often in the form of call centers/help-lines – to deal with complex cases, answer questions, and to teach employees how to use the self service systems.

To date, this routine transactional area is where IT and outsourcing firms have been active in the design, software development, implementation and on-going operations of HR systems. There also is a large business in maintaining these systems, reprogramming them for changes in the parameters of the system, and upgrading its capabilities. Relevant knowledge and skill for performing these activities is not typically found in traditional HR departments and thus much of this work is outsourced. With outsourcing comes the need to establish contracts and to monitor contract performance. The skills and knowledge to do this often are not present in the HR organization but need to be developed.

Some HR administrative functions have already been outsourced to vendors by many organizations. This is particularly true of benefits administration, around which Hewitt, Fidelity and other firms have built large outsourcing businesses. They offer substantive knowledge about how to create a cost-effective system and they deliver the administrative services. Outsourcers in this area typically operate their own call centers to answer employees' questions and try to migrate the employees they service to web-based interfaces. This is often done by putting kiosks at company locations, or linking companies' PC networks into the outsourcer's computer systems.

There is every reason to believe that virtually all HR transactional work will go on the web and in many cases be outsourced (Lawler, Ulrich, Fitz-en and Madden, 2004). The reason is simple: HR administration is not a core competency of most organizations. Outsourcers and consulting firms now exist that either have or are developing this core competency.

Of course, organizations can choose not to outsource any or all of their HR transactional work but still actively pursue web enabling them. Basically, there are four self service solutions from which organizations can choose when it comes to utilizing information technology to handle HR administrative tasks. The four web enabled choices are home gown (companies develop their own software), best-in-breed (companies buy stand alone applications from multiple vendors), integrated HR systems that are provided by ERP companies, and outsourcing. They all promise to deliver better HR services at lower costs by using web-based systems, but they go about it in very different ways. It is likely that the last two will end up as the most popular approaches.

Business Support

In the middle column of Figure 1 is the HR work involved in the development of HR systems and services which support the execution of the company's business strategy, and more generally, its business operations. These activities include the design and management of systems to secure needed talent, compensate and motivate people, train and develop them, and place them in the right jobs. It also includes internal consultation to line managers about their human resources needs, questions and issues. These are key HR knowledge areas and are the ones where HR departments have a

significant opportunity to add value. In order to operate effectively in this area, capabilities in both HR system design and organization development are needed.

Some aspects of HR management systems can be codified and automated. For example, computer modeling tools that are based on the objectives of the compensation system can be provided to managers so that they can do their own compensation planning. Much of the work that HR has traditionally done in consulting to managers about human resources staffing, training, development, and performance management issues can also be handled by putting information and tools on the web while encouraging self-service. For example, a manager dealing with the potential transfer of an employee can be provided with procedures, criteria and a diagnostic set of questions to help determine exactly what needs to be done to carry out the transfer.

Web enabling HR systems and transactions makes possible the systematic tracking and evaluation of HR systems. It can, for example, help determine the relationship between compensation awards and performance evaluation results. It can help track the effectiveness of an organization management development programs. Data-based analyses, tracking, and modeling capabilities also can provide a basis for improving HR systems. Having data-based capabilities that involve knowledge orientated tools is critical to HR's abilitiy to contribute to organizational effectiveness.

The development and management of HR systems, whether they are web based or not, requires a deep understanding of the principles, regulatory issues, and dynamics of HR systems, as well as the strategy and the business model of the organization. There needs to be a close relationship between the way the work of employees is designed and HR systems such as job grades, career tracks, and incentive methods. Therefore, the

crafting of effective HR systems cannot be accomplished without expert knowledge of HR and business strategy.

Strategic Partner

The strategic partner role is the one that is least well developed in most corporations, and the newest. It also is the one that has the potential to add the most value. It is rapidly increasing in importance because of the growing importance of intangibles and human capital (Lev, 2001). It entails providing strategic advice and expertise. It includes providing input to the organization's business strategy and playing a key leadership role in developing the organizational capabilities and core competencies that are needed in order to execute the strategy. Organization design, HR systems and change management are all key to successful strategy execution.

HR can make a logical case for being an important part of strategy development, because of the importance of human capital in the ability of the firm to carry out its strategy. Increasingly, talent limitations and limited organizational flexibility in the application of scarce talent to various opportunities constrain the strategic options of the firm (Mohrman, Glabraith & Lawler, 1998). At least in theory, this should mean that HR can play an important role in the formulation of strategy by making explicit the human capital resources that are required to support various strategies and strategic initiatives. It also can play a leadership role in helping the organization develop the necessary capabilities to enact the strategy, and in the implementation and change management.

Most strategies, like most mergers, fail not because of poor thinking, but because of poor implementation. Implementation failures usually involve the failure to

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acknowledge and build the needed skills and organizational capabilities, to gain support of the workforce, and to support the organizational changes and learning required to behave in new ways. In short, execution failures are often the result of poor human capital management. This opens the door for HR to add important value if it can deliver change strategies, plans, and thinking that aid in the development and execution of business strategy.

The HR function within companies potentially can play a key role in working closely with top management and consultants on strategy issues. There is considerable research to suggest that strategic planning and complex change efforts that do not consider and involve the human element are doomed to failure. HR can assist senior management in seeking out consultants who are especially skillful at including and involving people in strategic planning, organization design and change management. And HR can work closely with these consultants during projects to provide internal knowledge.

HR can play a vital partner role in the use of information technology for strategic planning development purposes. The ability to track and model the company's talent pool provides HR with compelling date about whether the human capital of the firm is adequate to enact a strategy, where talent is, and how it might be redeployed in order to carry out a changing strategy.

IT tools also can be useful for ongoing sensing of employee reactions to changes that are being implemented, and for communication and solicitation of input to changes. eHR systems can enable two-way communication with employees to help accelerate learning in the organization, and consequently the implementation of fundamental

changes. Again, however, the ability to use IT for these purposes depends on access to IT expertise in the human resources domain.

Finally, HR scorecards can be developed that report on the overall condition of the workforce and the work systems of an organization (Huselid, Becker and Beatty, 2005). Scorecards can be helpful in strategy development, they can indicate what is possible, and in monitoring strategy implementation.

Structuring HR

Most HR organizations have struggled with the issue of how to organize in order to deliver their services. Indeed, it is quite likely that their failure to organize properly is one of the reasons why they have had trouble developing a high value-added strategic role. The skills that are needed to provide services concerning business strategy development, implementation support and execution are significantly different that those needed for personnel services and HR administration. For this reason and a number of others, different people need to be involved, and the structure of the HR organization needs to be designed to provide these very different services. The best structure to do this is a version of the front/back design (Galbraith, 2005).

In the typical HR front/back structure, the administrative services are delivered by centralized (or outsourced) processing units. The business partner and some strategic services are provided by senior HR managers, often referred to as generalists, who are located in the key business units of the organization. The HR generalist is the major interface between the HR organization and the business unit. The generalists are available to help with picking the right HR practices, development change management

strategies, advising on talent development and deployment, and the other HR issues and organizational effectiveness issues that come up as line managers try to implement and effectively manage their business units. They also have the responsibility for overseeing the delivery of administrative services to the business unit. Typically, the generalists who are in this role report jointly to the business unit manager, as well as to the HR VP.

In order to execute the HR generalist's role effectively HR managers need considerable support. First and foremost, they need to be able to draw on depth expertise in the issues that they confront in their business support activities. This expertise can come from corporate centers of expertise in areas such as change management, organization development, leadership development, staffing and metrics and analytics, or it can come from external consultants. Regardless of where the help comes from, it needs to be available, and the organization needs to be structured and resourced so that the HR generalists in the business units have the resources that they need to deliver their product line.

In many organizations where the generalist role has been established, the generalists have not been able to deliver the business partners and strategic services the organization needs. Often it is because they lack a depth of knowledge of the business. In some cases, it has to do with the resources that are available to them. They simply do not have the ability to access either the internal resources or the external resources to deliver on some of the complex issues that they face. They also often find it difficult to report to both the HR VP and a business unit head.

Business strategy is typically developed at the corporate level in most organizations. Thus, the strategy implementation process begins there and strategic input

needs to be delivered to the senior executives of the corporation. HR input needs to

include an analysis of the organizations strategic readiness and its ability to implement

different strategies. In order to deliver these inputs, HR needs individuals at the

corporate senior executive level who can interact as peers with other senior executives as

well as HR generalists, and who can help with the development and implementation of

the strategy. This suggests that there needs to be staff at the corporate level that is

focused on strategy analysis, development and implementation. In effect, an

organizational effectiveness unit that has a small, full-time staff. This unit also needs to

be chartered to draw on HR executives (e.g., generalists) from elsewhere in the

organization to help with strategy development, and implementation.

What should an organizational effectiveness unit look like? It needs to be a multi-

discipline center of excellence that focuses on business strategy, organization design, and

human capital development. It should be staffed by individuals who have expertise in

business strategy, organization design, organization capability development, knowledge

management, HR analytics and metrics, financial modeling, and utility analysis. In short,

it should have a broad range of analytic skills so that it can evaluate different strategic

options and alternatives for the business, assess how effectively the current strategy is

being implemented, and develop recommendations about how to improve the strategic

position of the organization and the implementation of its current strategy.

The Future of HR

For the last decade, the Holy Grail for HR functions in large corporations has

been to become a business partner. Much of the writing on how HR can become a

partner argues that the best way is for HR to focus on aligning the human capital management of an organization with its business strategy. This usually means being sure that there is an appropriate reservoir of leadership talent and technical talent to support the direction in which the business is heading. The associated HR activities include the development of a talent strategy, and the design and ongoing improvement of human resource systems that contribute to business performance.

There clearly is a demand for business partner help from the HR function, as senior executives often report that they would like HR to be a partner with them in managing the talent strategy and the human resources development agenda of the organization (Lawler, Boudreau and Mohrman, 2006). Being a strategy implementation partner, however, requires a broadening of the focus and expertise of HR beyond its traditional systems that are associated with human capital development.

Strategy implementation often requires the development of new organizational capabilities, and consequently entails organization design, development, and change management activities. Rather than focusing primarily on the individual employee's capabilities and motivation, and the job as the unit of analysis, strategic HR must address system-wide requirements. It needs to focus on how a company can organize in a manner that optimally configures activities and utilizes talent to achieve business strategies, and on enabling the organization to make changes in the way it functions.

Many HR functions have had organization development groups that profess to have expertise in organization design and development. Most of them, however, have been focused more on training and development than on change management and organization design.

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Finally, there is the least developed area of HR, acting as a strategic partner that helps develop business strategy. Many of the writings on HR being a business partner fail to even mention the potentially important role that HR expertise can play and should play in shaping the business agenda of corporations, particularly when human capital is the critical strategic resource in the firm. Research points out that execution is often the key problem when an organization tries to implement a business strategy. Sometimes, execution does fail because of the talent in the organization, but perhaps it fails more often because of the inability of the organization to change its systems to support the business strategy, and/or because key design features of the organization are barriers to the development of the organizational capabilities required to achieve the new strategy (Lawler and Worley, 2006).

Many of the implementation problems with the strategy could be avoided if a realistic assessment is made of the organization's ability to implement the strategy before it is adopted. HR potentially can play a key strategic role by identifying the existing performance capabilities of the employees and the organization and inputting this to the strategy process. It also potentially can contribute to the development of new strategic directions for the business by identifying skills and capabilities that the organization has that may not be broadly recognized or currently utilized. If individuals from the HR function in fact understand the business and the capabilities of the organization, and have expertise in diagnosing organizational designs and capabilities, they may be in an unusually good position to recognize and develop promising new strategic directions.

There is a potentially close interplay between the expertise that is needed to be a strategic partner and information technology tools. With the growth of web based HR

systems, there is an increasing potential for the analysis of HR data to play a powerful role in both the development and implementation of business strategies. Well-developed HRIS systems should allow for employee and workforce analyses that are quite helpful in identifying the feasibility of entering new areas of business as well as developing key organizational capabilities.

HR functions increasingly have metrics about how well the HR function is operating (Lawler, Levenson and Boudreau, 2004). Organizations, however, need to go beyond simply having metrics that show how well HR administration is going. They need to have metrics that allow them to more effectively analyze and allocate their human capital (Boudreau and Ramstad, 2003). They need to include such things as competency models that identify the skills of individuals and help the organization move into new business areas.

HR measurement systems need to be utilized that provide more data on the condition of the human capital. Measures are needed of how satisfied it is, how committed it is to the organization, the rate at which it turns over, and a host of other issues that assess the readiness and the ability of the organization to perform. These data, which are already collected by the HR organization in many companies, need to become part of an integrated Web-based system and related to organizational outcomes. This is how HR analytics can help an organization diagnose what is and what is not working and make improvements in its practices and programs as well as its strategy. It is a critical deliverable that HR must have in order to be a strategic partner (Lawler, Levenson and Boudreau, 2004).

HR information systems should be particularly useful in helping strategy driven change management efforts. They can provide powerful data on employee reactions to specific change initiatives, as well as providing mechanisms for two-way communication about the business logic underpinning changes, and the implications of them for employees career paths, rewards, and development. If they include e-training features, web based HR systems can also enable rapid implementation of training and development to support change. Because of the analytic power they can provide with respect to assessing HR programs, HRIS systems can be tools during times of change for accelerated learning and improvement of new HR programs that are put in place to support the strategy.

Despite the potential contributions that HR can make to business strategy, there is very little evidence that the internal HR function in many companies is becoming more of a strategic partner (Lawler, Boudreau and Mohrman, 2006). This raises the key question of why isn't it changing. There are a number of possible answers to this, many of which have to do with the HR functions, strengths and weaknesses.

On the strength side, HR managers almost always have a fine-grain knowledge of the organizations HR systems and *may* have an understanding of the work of the organization, its culture, and its organizational capabilities—information that could make a significant contribution to the business strategy. On the weakness side, the HR function often has a poor reputation for its ability to deliver on business-related issues. This poor reputation is often well deserved, because individuals in the HR function do not have the business skills or business experiences that are necessary to link HR programs and

processes to the business strategy. For most internal HR functions, business strategy, organization design, and change management are not core competencies.

Becoming a Strategic Partner

It is time for HR to become a strategic partner. For the last decade the focus has been on becoming a business partner—it is time to seek a new holy grail, being a strategic partner. Figure 3 depicts the constellation of factors that can help HR play a strategic partner role. These factors suggest the following very specific steps that organizations can take to increase the degree to which HR issues are part of the strategy process (based on Lawler and Mohrman, 2003, 2005).

1) **Highlight the knowledge and competency aspects of the business strategy.** Many companies in the knowledge economy rely on the processing of knowledge by skilled knowledge workers—on its development and utilization of human capital. On the other hand, many do not explicitly identify their competitive reliance on these resources, nor think of their strategy as maximizing the value they can derive from knowledge. The HR function can help make this reliance and this perspective obvious to line managers. Doing this will enhance the value it contributes and help it gain a partnership seat at the strategy table.

2) **Increase HR's focus on Planning, Organizational Development and Organizational Design.** The HR function is theoretically well situated to see the organization as a complex system where the development and management of its human capital is intricately

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intertwined with its strategy and design. By overlaying a strategic perspective on the development of HR systems, and by increasing the focus on developing organizational competencies and capabilities, HR can play a unique role in the development of strategy and strategic capabilities.

3)   Expand the vision of and application of eHR capabilities beyond process improvement and efficiency to include a focus on strategic analyses that can turn data into strategically valuable information.

The development of eHR systems offers an unprecedented opportunity to examine what HR approaches and factors make a difference in business performance. Metrics need to be developed that go beyond simply assessing the effectiveness of the organization's HR services and practices. They need to involve the measurement of an organization's performance capabilities and competencies and how HR metrics relate to performance.

4)   Increase the business knowledge of HR professionals and their link to the business.

In today's world, addressing critical competitive issues requires the combination of various specialized areas of knowledge and deep expertise. Rotation of HR professionals within HR assures a broad understanding of HR, and placement of professionals close to the business and deploying them to joint line/HR task teams allows them to develop greater understanding of the business and to combine their expertise with the expertise of the line. Although HR professionals who have the opportunity to play a strategic role are more likely to develop the necessary skills to do so, HR functions should also focus on

providing their HR professionals with different development opportunities, including job

rotations and special assignments as well as formal educational experiences that broaden

and deepen their knowledge and experience bases relevant to being a strategic partner.

5)   Ensure that the head of HR has the deep HR experience required to be a

        strategic business partner.

The head of HR must fully understand the complexity of the various aspects of human

capital management in order to bring HR to the strategic planning table, and to

effectively integrate HR activities with the business oriented perspectives. Whereas there

are other people at the table well versed in the business perspective, the HR VP is likely

to be the only person who is a deep expert in HR.

6)   Don't forget the administrative and business partner product lines.

Failure to successfully deliver on the other two product lines can prevent HR from being

a strategic partner in two ways. First, it can undermine the credibility of the function.

Second, it can take the time and attention away from strategic issues. Delivering these

two product lines effectively can also provide data that is needed in order to execute the

strategic role.

Conclusion

      The knowledge economy, with the proliferation of companies that rely on

knowledge based competitive strategies, offers a special opportunity for strategic HR

thinking and actions to move front and center in organizations. Advanced IT-based

systems can off-load transactional tasks, freeing up HR professionals for more value-adding roles. More importantly, they offer the *potential* for HR to collect and analyze data in ways that yield knowledge about the effectiveness of various HR approaches and about the feasibility of various strategic paths. The function needs to place a greater focus on planning, organization design, and development. It also needs to make greater use of organizational approaches whereby HR professionals operate in proximity and partnership with the line and develop a broad and deep understanding of HR and business issues.

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Exhibit 1

HR Roles

I. **Basic Administrative Services and Transactions involved with compensating, hiring, training and staffing**

    --- Emphasis on resource efficiency and service quality

II. **Business Partner Services involved with developing effective HR systems and helping implement business plans, talent management**

    --- Emphasis on knowing the business and exercising influence--solving problems, designing effective HR systems to ensure needed competencies and talent.

III. **Strategic Partner Role contributing to business strategy development and implementation based on considerations of human capital, organizational capabilities, and readiness. Developing HR practices as strategic differentiators**

    --- Emphasis on deep and broad knowledge of HR and of the business, competition, and market of business strategies
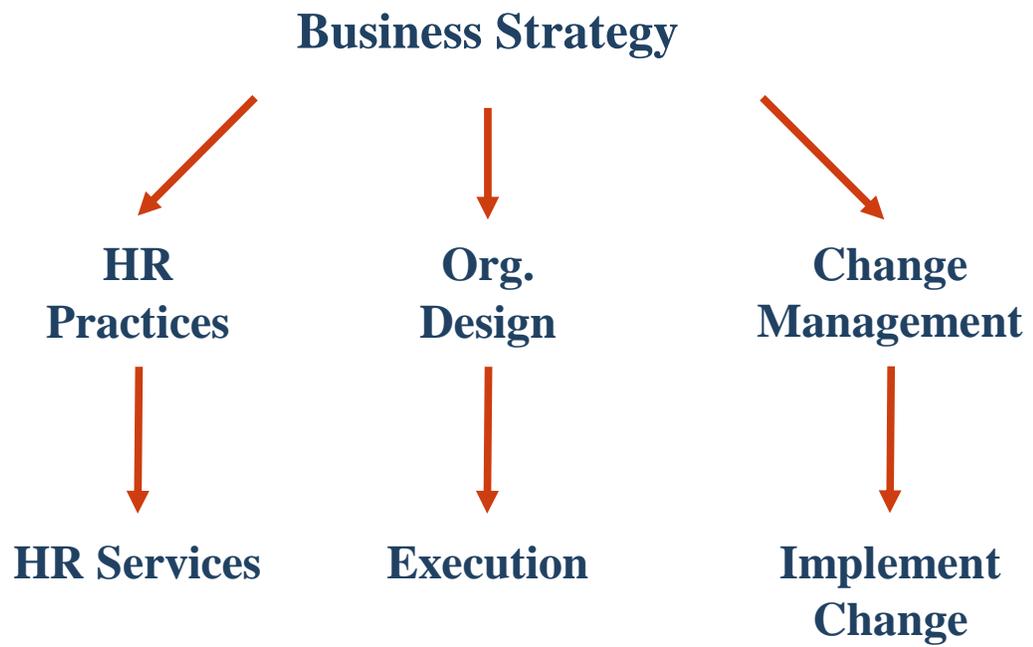
Figure 1

Business Partner

Business Strategy

HR Practices

Org. Design

Change Management

HR Services

Execution

Implement Change

Figure 2

Strategic Partner

**Human Capital
and Business Data**

↓

Business Strategy

**HR
Practices**
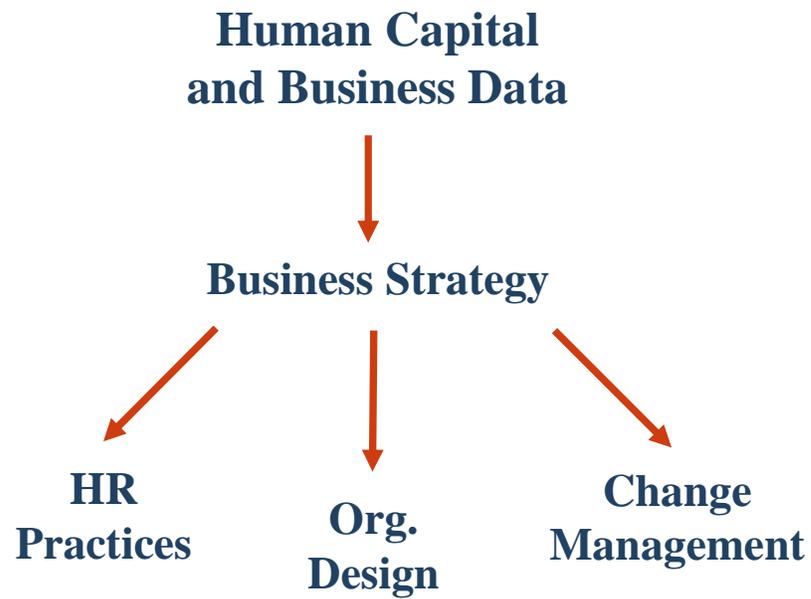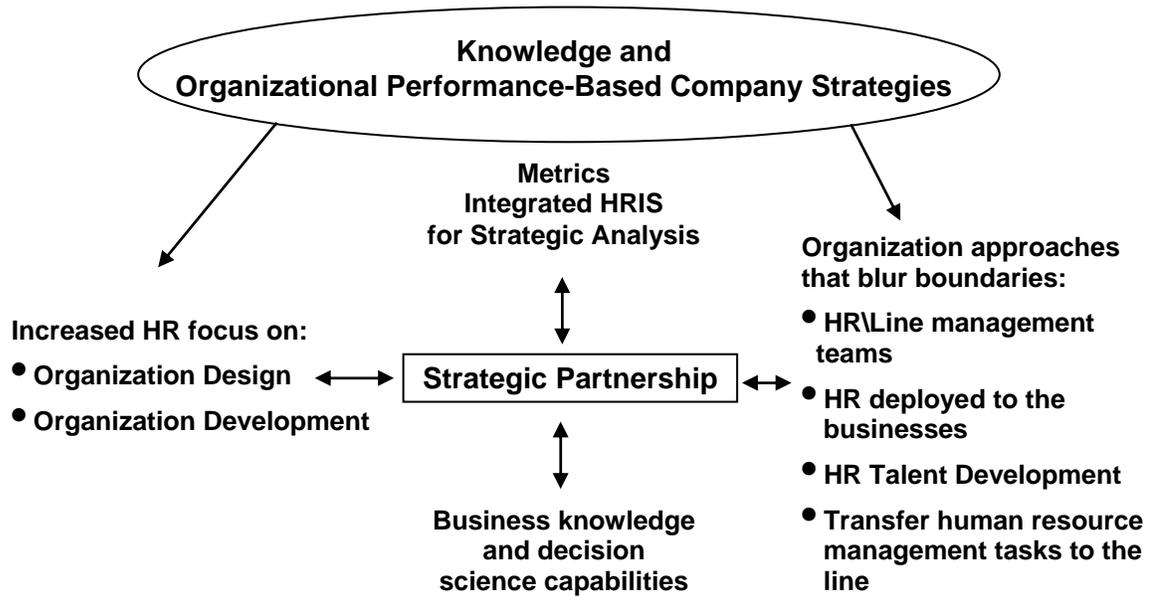
**Org.
Design**

**Change
Management**

Figure 3

Information Technology and Human Resource Management

Strategic Partner Role	Business Support and Execution Role	Personnel Services Role
Data Analysis, Modeling and Simulation Capabilities	HR System Administration Employee and Manager Tools, Information and Advice Data and Analysis Tools	Transactional Self-Service Processes
Business Strategy Input HR Strategy Formulation Strategy Implementation Change Management Organization Design Upgrading Analytic Capabilities	HR System Devlopment, Learning and Improvement Consultation Talent Strategy and Processes Program and System Upgrades	Help-Line Services Program and System Upgrades

Shaded=IT/HR Enabled
From Lawler and Mohrman, 2005

Figure 4
Factors Associated with HR as a Strategic Partner

Knowledge and
Organizational Performance-Based Company Strategies

Metrics
Integrated HRIS
for Strategic Analysis

Increased HR focus on:
- **Organization Design**
- **Organization Development**

Strategic Partnership

Organization approaches that blur boundaries:
- **HR\Line management teams**
- **HR deployed to the businesses**
- **HR Talent Development**
- **Transfer human resource management tasks to the line**

Business knowledge and decision science capabilities

From Lawler, Boudreau and Mohrman, 2006