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**IT SHOULD BE ALL ABOUT
ORGANIZATIONAL EFFECTIVENESS**

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It Should Be All About Organizational Effectiveness

By Edward E. Lawler III

It is the best of times and the worst of times for the HR functions in corporations. The foundation upon which HR functions were built has shifted dramatically in the last few decades. The key piece of the shift involves what it takes for an organization to be successful in today's globally competitive environment. Because of this shift, HR faces both opportunities and challenges that are unprecedented in the history of HR as a function.

It was not too long ago that HR was the personnel department and largely dealt with administrative issues. For the last decade or more, it struggled to become more of a "business partner." Although there has never been a definitive statement of what it means to be a business partner, there does seem to be some general agreement that it involves assisting an organization in executing its business strategy and programs.

It is somewhat debatable just how much HR has, in fact, succeeded in becoming a business partner. My research and others' suggest that there is certainly an awareness of the importance of HR adding more value and that more and more HR executives are saying that their objective is to become a business partner. However, there is also a considerable amount of data that say HR is still mired in the minutiae of personnel administration. Perhaps the major reason that HR is slow to change is that it takes an entirely different mandate and set of skills for an HR function to be a business partner.

Instead of focusing on what HR needs to do to be a business partner, I would like to argue that the key to the future success of HR is not in becoming a business partner, but in focusing on organizational effectiveness. I firmly believe that if HR does not adopt organizational effectiveness as its major focus, it will be the worst of times and not the best of times. But, if HR can become a significant contributor to organizational effectiveness, it will be the best of times because it will position HR to add value in ways that are truly significant and that will increase its viability in corporations.

There are several clear trends that make it increasingly possible for HR to add value when it comes to organizational effectiveness. Perhaps the major one is the growing importance of human capital to organizations. When this is combined with the fact that more and more organizations view their ability to organize and manage human capital as a key to business success, the potential exists for HR to play a major role in the effort to improve organizational effectiveness. In order to do this, it cannot just worry about administrative issues -- it has to address issues that affect how an organization performs at a very fundamental and basic level.

My research suggests that the best entry point to making major contributions to organizational effectiveness rest with human capital management. There is a strong demand in most organizations for HR to add value in this area. More and more organizations and senior executives are saying that human capital management is critical and that HR should play a major role in improving it. This role must necessarily include hiring, training, developing and positioning individuals. But it should not stop there. It should deal strongly and decisively with

issues concerning organizational strategy and the organizational structure and work systems in which individuals perform.

Why business strategy? Simply stated, strategies can only be executed if an organization has the right mix of people and organizational systems. Because this is so clear, it opens the door for HR to influence not just organization design decisions, it also gives it the opportunity to influence strategy decisions. My research shows that many managers do not initially see HR as a potential contributor to strategy and design; thus, there may be some resistance. HR executives may therefore need to use talent management as the proverbial foot in the door. It has the wonderful advantage of allowing HR to talk about org design and change and ultimately about business strategy.

HR should not only be concerned with the implementation of strategy; it should be concerned with the formation of strategy. There are two strategy formulation areas where HR should be active. One is in managing the whole strategy creation process. Inherently this is an organizational behavior issue involving communication processes, decision processes, and leadership. Beyond that, the strategy itself needs to reflect realistic assessments of the existing human capital in the organization, what human capital can be obtained and how human capital can be melded together to create the kind of organizational capabilities and competencies that are needed for an organization to execute a strategy. Asking questions about implementation after the strategy has been developed is too late! All too often this is why strategies never get implemented -- they make unrealistic assumptions about what is possible from an organizational performance point of view.

The points I have made so far lead to some rather clear implications about what an HR function needs to look like if it is going to be a high-value-added contributor to an organization. Before I make them, I would like to establish one final point. I am convinced that HR functions that do not add value with respect to key organizational effectiveness issues will eventually disappear. Much of what HR does as an administrator can be outsourced to organizations that can do it better and more cheaply than internal HR operations.

BPO firms now have scale advantages and knowledge advantages that in most cases lead them to be more effective than internal groups when it comes to HR administration. Unless the HR function is able to add value when it comes to organizational effectiveness, it will be deemed unnecessary. There are already numerous examples in human capital-intensive organizations where HR basically plays no major role: think law firms, consulting firms, universities and sports teams. Here, human capital management, organization design and strategy are deemed too important to be left to the HR function; they are the domain of operating managers.

What does HR need to do to be a major player when it comes to organizational effectiveness? Clearly it needs credibility and expertise. Expertise in talent management and talent decision making can help it get to the table, but it is not enough. In order to set the table, it needs to understand organization design, organization change and strategy. So far I have not mentioned understanding the business of the organization, but this, of course, is fundamental to playing an important role in strategy development and implementation.

There may also need to be structural changes in the HR organization in order for it to influence strategy. A logical case can be made for combining HR and business strategy into a new unit called organizational effectiveness. This unit should be chartered with facilitating the development and implementation of an organization's business strategy. It should have a wide range of roles, including data gathering, monitoring, assessing the effectiveness of strategies and decisions. It should also manage and assess the talent in the organization and identify key talent deployment and improvement activities.

How realistic is it to expect that HR departments will transform themselves into major contributors to organizational effectiveness? I do not think that it is unrealistic, but it clearly is not going to be easy. My research suggests that many HR functions simply don't have the skills and knowledge necessary to make this transition. In addition, they have developed a kind of codependency with line management when it comes to the kind of personnel services that they have traditionally offered. They enjoy doing it because it reassures them that they are doing something that is useful, and line management enjoys having them do it, because it takes an administrative burden off them. This codependent relationship can be very difficult to break. In fact, it may be that the only way to break it is to create a new organizational effectiveness function that is staffed with individuals who do not have a history of offering HR services, but who have the kind of strategy and business skills that are needed in order to deliver on the new agenda for HR.

But enough pessimism and speculation about the HR function losing out. I do not think this will happen. There are many capable HR people who can step up and add considerable value when it comes to organizational effectiveness. For them, it truly can be the best of times.