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**Stubborn Traditionalism in HRM: Causes and Consequences**

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Stubborn Traditionalism in HRM: Causes and Consequences

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**Abstract**

We examine the widely-held view that "stubborn traditionalism" exists in HR, meaning that while the HR profession has progressed, its progress remains slow, and may not be sufficient to maintain effectiveness and relevance. The data on which the present study is based also showed little change in HR activities, skill satisfaction, strategic role and other features of HR over two decades(Lawler & Boudreau, 2012).  This article examines two questions using cross-sectional analysis of our most recent survey of HR leaders.  First we find that slow progress matters, because progress on HR functional features is related to important outcomes, including HR's role in strategy, effectiveness as a function, and organizational performance. Second, we explore one explanation for HR's stubborn traditionalism, in the organization's management approach.  Our results suggest that the organization's management approach may indeed partially explain a lack of HR progress.  The more organizations pursue a bureaucratic and low-cost-operator approach to management, the less their HR organization engages in advanced strategic activities, is satisfied with its HR skills, plays a strong strategic role, implements an HR decision science, and adds value to the organization.  In contrast, the more organizations pursue high-involvement and sustainable approaches to management, the greater are these HR features.

A changing workforce, global competition, advances in information technology, new knowledge, demands for sustainable performance and a host of other changes are forcing organizations to constantly examine and reevaluate how they operate (Lawler and Worley, 2011). They are utilizing new technologies, changing their structures, redesigning work, relocating their workforces and changing work processes to respond to an increasingly demanding unpredictable and global competitive environment. But are organizations changing their human capital management policies, practices and processes? Are they redesigning their HR functions?

Despite compelling arguments supporting human resources management as a key strategic issue in most organizations, our research and that of others has found that human resource executives often are not involved in key strategy decisions and remain stubbornly traditional. A Conference Board (2012) study concluded that HR is at a "false summit," with apparent progress, but a long way to go:

"As the pace and sweep of change intensify, HC <human capital> professionals are coming under unprecedented pressure to be innovative, to be strategic, and to implement their programs and initiatives more efficiently. There are many programs and projects currently in play, ranging from streamlining benefits administration to experimenting with recruitment via social media. But the bigger picture shows little change. From this perspective, there has been little innovation, little confidence within the HC function, and little correlation between program and impact. HC professionals don't feel they are getting a handle on the issues, let alone the knowledge needed to address them effectively. They are stuck with old solutions that don't always work for the old problems, let alone the new." (p. 4).

The Conference Board study corroborates our findings (Lawler & Boudreau, 2012) that the priorities of the HR profession have not changed very much over decades (the definition and achievement of the "strategic partner" role remains elusive). HR has made progress in

transactional areas and in improving HR efficiency, but both studies suggest that business unit leaders outside the HR profession view HR as relatively lagging in performance on more strategic roles. Similarly, the 2013 study of critical human capital issues by i4cp found that six of the top 10 issues were the same over the past four years, and concluded that since 1986 "year to year comparisons of the study show that the urgency of these issues is growing but the ability of HR organizations to effectively deal with them has stalled or deteriorated" (DiRomualdo, 2013).

All too often, the human resources function is largely an administrative function headed by individuals whose roles are focused on cost control, compliance, and administrative activities (Boudreau and Ramstad, 2005; Lawler and Mohrman, 2003; Ulrich, 1997). Missing almost entirely from the list of HR focuses are such key organizational challenges as improving productivity, increasing quality, facilitating mergers and acquisitions, managing knowledge, implementing change, developing business strategies, and improving the ability of the organization to execute strategies.

There is some evidence that the situation of HR is changing, and that the human resources function is beginning to redefine its role in order to increase the value it adds. The research reported here is largely based on the most recent wave of data from our ongoing research on HR, with the first five phases of collected in 1995, 1998, 2001, 2004, and 2007. Over time, we have found (Lawler & Boudreau, 2012) evidence of some change in large U.S. corporations, but there was more discussion of change than actual change (Lawler and Boudreau, 2009; Lawler, Boudreau, and Mohrman 2006; Lawler and Mohrman, 2003). For example, HR leaders' satisfaction with HR skills in areas such as business understanding, teams, consultation and interpersonal relations show increases between 1995 and 2010 from about 3.3 to 3.6 on a five-point scale, but no significant increase in metrics, process execution or strategic planning (Lawler & Boudreau, 2012, Table 13.2, p. 112).

This article provides explores these data more deeply than before, providing further evidence of this pattern, which we will call "stubborn traditionalism" in HR, by highlighting results from a unique multi-year survey of U.S. HR leaders. This study is different from Lawler and Boudreau (2012) by extending the analysis in two ways: First, we present evidence that progress in several key areas is significantly related to HR and organizational performance. Second, we suggest a partial explanation for differences in HR's progress, with findings that suggest that the organization's management approach significantly relates to differences in HR's progress in several key areas. Our results suggest that stubborn traditionalism has a significant negative impact on HR and organizational performance, and that it may be exacerbated or mitigated by different organizational management approaches.

**Sample and Methodology**

The data reported here come from surveys of HR leaders in the U.S., conducted the years 1995, 1998, 2001, 2004, 2007, and 2010. The data reflect responses from similar samples of U.S. HR leaders in each year, but they are not panel data, in that different executives responded to the survey in each year. Our analysis focuses on the results of our samples in 2007 and 2010, the most recent two waves of data, as well as a cross-sectional analysis of the 2010 results.

Where possible, we refer to findings from prior-year surveys, to document that stubborn traditionalism is evident for time lags beyond three years. The pattern is similar across the history of our samples. We focus on the surveys in 2007 and 2010 as the most recent two surveys, and for which we have fully comparable data. We conducted the cross-sectional analysis for only the 2010 survey, because that survey alone contained the ratings of organizational performance.

The 2010 survey also included samples of HR leaders outside the U.S. (Lawler & Boudreau, 2012). However, in this article we focus on the sample of U.S. HR leaders, because our data for the global sample was collected only in the most recent wave of the survey, so we have

no prior survey results with which to compare. Replicating this cross-sectional analysis across

multiple nation samples is not feasible, due to incomplete data, and in any case it would

significantly lengthen the article if attempted.

In 1995, surveys were mailed to HR executives at the director level and above in 417 large

and medium-sized service and industrial firms (Mohrman, Lawler, and McMahan 1996). The

executives chosen had broad visibility to the human resource function across the corporation.

Responses were received from 130 companies.  The second study was done in 1998. Surveys were

completed by 199 firms (Lawler and Mohrman, 2000). In the third survey, done in 2001, 150

usable surveys were completed (Lawler and Mohrman, 2003). For the 2004 study, 100 surveys

were returned by HR executives with corporate visibility of the HR function in large and medium-

sized companies (Lawler, Boudreau, and Mohrman 2006). For the 2007 survey, questionnaires

were once again mailed to HR executives in medium and large companies (Lawler and Boudreau,

2009). For the first time, data were also gathered by using the Internet, 107 companies

responded. All the 2010 survey data were collected using the internet. HR executives were given a

link and asked to respond.  We received completed surveys from 190 U.S. HR leaders.

The 2010 sample reported an organization size averaging 29,514 employees (SD=46,051),

and an average number of full-time equivalent HR employees of 406 (SD=1,000).  The size of the

standard deviations relative to the averages suggests a skewed distribution for both variables.

The median number of employees was 13,000, ranging from 1,000 to 300,000.  The median

number of HR employees was 110, ranging from .50 to 8,000.  Forty-eight percent of the sample

reported having 10,000 or less employees, while eighty-seven percent of the sample reported

having less than 500 HR employees.  The ratio of HR employees to total employees ranged from

.001 to .97, with an average of .031.  We found no significant correlations between the HR ratio

and measures of HR effectiveness or organizational performance, nor between the ratio and

different management approaches discussed below.

We chose to sample one top HR leader from each organization, consistent with earlier

research examining HR practices and organizational performance (e.g., Huselid & Becker, 1996).

As the focus of the study is on the condition and progress of the HR function, HR leaders are in a

position to provide an informed and relevant perspective.  We acknowledge that other

perspectives are important, but the focus of this study was on the perceptions of top HR leaders in

large U.S. organizations.

**Measures[1]**

The 2010 survey contains a number of items concerning the characteristics of the HR

function in corporations and four items concerning effectiveness and how the corporation is

managed (See Lawler and Boudreau, 2012, for the complete list of items and item-level statistics).

*HR Strategic Role.*  The 2010 survey contained an item asking respondents to answer the

question, "Which of the following best describes the relationship between the Human Resource

function and the business strategy of your corporation?" by choosing one of these four options:

1= "Human Resource plays no role in business strategy," 2= "Human Resource is involved in

implementing the business strategy," 3= "Human Resource provides input to the business strategy

and helps implement it once it has been developed," and 4= "Human Resource is a full partner in

developing and implementing the business strategy".  The responses showed 4.3% chose option

#1, 17.4% chose option #2, 47.3% chose option #3, and 31%  chose option #4.

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[1] Many of the variables are measured with single-item scales.  This precludes calculating internal consistency reliability estimates, but was done to make the survey as concise as possible, and to match the current survey to items used in the past.  While reliability may be lower with single items, the findings reported here suggest the item reliability was sufficient to demonstrate consistent and statistically significant effects.  With multi-item scales, reliability would be higher, and effects would be expected to be stronger.

*HR Functional Effectiveness*.  The overall effectiveness of the HR function was measured using the average of the ratings of effectiveness (1=not meeting needs … 10=All needs met), on eleven items describing various HR activities:  Providing HR services, Being an employee advocate, Analyzing HR and business metrics, Managing outsourcing, Operating HR centers of excellence, Operating HR shared service units, Working with the corporate board, Providing change consulting services, Being a business partner, Helping to develop business strategies, and Improving decisions about human capital.  The mean response was 6.4.

*Organizational Effectiveness.*  The effectiveness of the organization was measured with one item, asking "How would you gauge your organization's performance relative to its competitors?"  Respondents chose from the following options:  1=Much below average, 2=Somewhat below average, 3=About average, 4=Somewhat above average, 5=Much above average.  The mean response was 3.87 with a standard deviation of 1.01.

*Organization's Management Approach.*  We asked respondents to describe their organization's management approach. Table 1 shows the approaches, and the proportion of HR executives choosing each response for each operational approach. (For more details on approaches, see Lawler and Worley, 2011). It shows the high-involvement and sustainable approaches were somewhat more likely to be rated "moderate extent" or "great extent," and the "low-cost operator" more likely to be rated "little or no extent" or "some extent."

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Insert Table 1 Here

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**Time Spent**

We asked respondents to allocate 100 percent of how their function currently spends its time across five broad categories of HR activities, ranging from maintaining records and auditing,

to developing and delivering HR services and programs, and acting as a change agent and strategic partner.  We also asked them to recall the percentage allocation as it was 5 to 7 years ago.  Table 2 shows the results of the 2010 survey. When estimating their current time allocation, HR leaders said HR spends, 26.1 percent of its time maintaining records and auditing/controlling compliance, 47.1 percent of its time providing and developing human resources services, and 26.8 percent of its time acting as a strategic business partner.   The table also shows that when recalling their time allocation from 5-7 years ago, the 2010 sample of HR leaders recalled significantly less time being spent maintaining records (23.2 percent in the past and 13.6 percent currently), about the same percent of time on auditing/controlling, providing and developing HR services (the differences are statistically significant as indicated in the table, but not large in absolute terms), and significantly less time in the past on strategic partnership (13.9 percent in the past and 26.8 percent currently). Based on these perceptions, HR leaders might quite understandably feel that they have reduced their time on administrative records maintenance, and re-allocated the time to strategic partnership activities.

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Insert Table 2 Here

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However, it appears that the sense of progress is actually due to the misperception of how time was spent in the past.  Table 3 shows the time spent allocation estimates by HR leaders, in our surveys from 1995 to 2010.  Clearly, prior samples of HR leaders estimated virtually identical time allocations to that shown in 2010.  Moreover, when we examine data from past surveys on how HR leaders estimated their time allocation five to seven years ago, the estimates from samples in prior years are remarkably similar to those shown for 2010 in Table 3.  So, although HR

leaders perceive spending more time on administrative activities and less time on strategic

partnership activities in the past, the data suggest that the actual allocation has not changed.

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Insert Table 3 Here

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Table 4 shows the correlations between the responses to the time-spent question and

each of the three performance outcomes, using the 2010 sample.  The pattern is the same for all

three outcomes.  The greater the reported time allocation to "maintaining records," "Auditing and

Controlling," and "HR Service Provider," the lower the reported level of HR's role in strategy, HR

functional effectiveness, and organizational performance.  The reported time allocation to

"development of HR systems and practices" is unrelated to any of the three outcome measures.

Finally the greater the time allocated to "strategic business partner," the greater the reported

level of all three HR performance outcomes.

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Insert Table 4 Here

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Correlations cannot reveal causal direction, thus, it is possible that these relationships

occur partly because when HR plays a greater role in strategy, achieves effectiveness or is a part of

a well-performing organization, there is more acceptance and opportunity for HR to play a

partnership role in strategy.  However, it seems very likely that part of the relationship exists

because when HR spends more time on strategic partnership, it contributes to a stronger HR role

in strategy, stronger HR functional effectiveness and greater organizational performance.

Table 5 shows the correlations between the time-spent items and each management

approach in the 2010 sample of HR leaders.  Generally when respondents rate "Bureaucratic" or

"Low-Cost Operator" higher, they also tend to report spending more time on maintaining

employee records and less time on HR systems development and HR strategic partnership.  In

contrast, when respondents rate "High Involvement," "Global Competitor" or "Sustainable" as

more highly characteristic of their organizational approach, they tend to report spending less time

on maintaining records and auditing, and more time on developing HR systems and acting as a

strategic business partner.  While not all correlations reach statistical significance, the pattern

suggests that HR organizations that serve organizations with a more bureaucratic and low-cost

approach spend more time on HR administration.

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Insert Table 5 Here

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Overall, an organization's operational approach appears generally to influence how HR

spends its time, and the time spent pattern in turn seems to relate to important outcomes for the

HR function and the organization.

**Advanced HR Strategy Activities**

HR time spent appears not to have changed very much since 1995, but perhaps what HR

does with that time has changed.  We asked respondents to rate the extent to which they engage

in strategy activities that are integrated with business strategy, focused on organizational change,

and use rigorous analytics and data, all of which have been described as important elements of

HR's role as a strategic partner, change agent and evidence-based profession.  We will refer to

these as "advanced strategy activities."

*Stubborn traditionalism in advanced strategy activities*.  The left three columns of Table 6

show the average level of several advanced strategy activities for the years 2004, 2007 and 2010

(the only years for which we collected these data).  Data-based and analytical decision support

activities are rated somewhat low, while having a human capital strategy that is integrated with

the business strategy, driving change management and providing data to support change

management are generally rated somewhat higher.  Yet, even the highest-rated activities are at

the midpoint of the scale.  Thus, there is a good deal of room to increase the extent of all of these

activities.  Stubborn traditionalism seems to occur in these areas, because the averages are

remarkably similar across the years. It appears that there has been little change in the extent of

these activities since 2004, despite being below the top of the scale.

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Insert Table 6 Here

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*HR and organizational performance and advanced strategy activities.*  Perhaps the

advanced strategy activities in Table 6 have not changed very much because they are not

consequential.  If they do not relate to HR and organizational performance, there would be little

reason to expect them to increase.  The three right-hand columns of Table 6 show the correlations

between the advanced strategy activities and the three HR outcomes.  The pattern of statistically

significant positive correlations is similar across all activities and all three outcomes.  These

activities uniformly associate with a stronger HR strategic role, HR functional effectiveness and

reported organizational performance.  Again, while correlations cannot establish causal direction,

it seems reasonable to conclude that these results are at least partly explained by the effect of

these activities on these performance outcomes.  Still some of the effect is likely due to reverse

causation, with better-performing HR functions and organizations earning HR leaders greater

opportunity to engage in such activities.

Stubborn traditionalism also appears here, in that the reported extent of these activities has changed little since 2004, and they are consistently rated at or below the midpoint of the scale, despite their positive relationship to HR and organizational performance.

*Organizations' management approach and advanced strategy activities.* What is the effect of the organization's management approach on these advanced strategy activities? Table 7 reports the correlations between the ratings of the extensiveness of the advanced strategy activities and each of the management approaches. The pattern is notably similar across the advanced strategy activities and to the time-spent results in the earlier section. The degree to which respondents reported their organization operates in a bureaucratic or low-cost operator approach was negatively related to all of the advanced strategy activities, with seven of the 12 correlations reaching statistical significance at the .05 level. This is in sharp contrast to the results for the management approaches of high-involvement, global-competitor and sustainability, where the correlations with the advanced HR strategy approaches are uniformly positive, with all but one of the 18 correlations reaching statistical significance. Again, it appears that type of organization has a strong association with whether HR engages in advanced strategic activities. HR leaders in high-involvement, global-competitor and sustainable organizations appear to be in an environment where such activities are far more likely, and vice versa. The tendency toward traditionalism differs greatly depending on how the organization pursues its strategy.

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Insert Table 7 Here

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**HR Decision Science**

The growing recognition that human capital decisions must become more sophisticated and strategically relevant represents a challenge for both HR professionals and managers throughout organizations. Consistent with the tenets of decision science in other fields, the key issues involve not only the overall sophistication and quality of human capital decisions, but also the quality of the principles underlying those decisions. High-quality decisions can occur only if HR professionals and other managers understand how human capital affects sustainable organizational effectiveness and if they use that understanding to identify and make key human capital decisions (Boudreau & Ramstad, 2007). The prior section reported results that suggest that advanced strategy activities are stubbornly traditional, yet also strongly associated with performance outcomes. Here, we focus on the *content* of those activities, and their effects upon the decision quality of leaders throughout organizations.

*Stubborn Traditionalism and the HR Decision Science*. Table 8 shows the responses of the sample of HR executives to questions designed to tap the state of the decision science for human capital management. The first item asks whether their organization excels in the competition for critical talent. The second item asks whether businesses leaders' "decisions that depend upon or impact human capital are as rigorous, logical and strategically relevant as decisions about more tangible resources." The averages suggest that organizations are rated as moderately effective on both items. The two items in Table 8 that refer to talent segmentation reflect whether HR leaders and business leaders understand where and why human capital makes the biggest difference, both receive moderate ratings.

The question concerning HR systems educating business leaders poses a fundamental issue. If business leaders are to learn to make sound talent decisions, then the HR systems they use should educate them about the quality of those decisions, in the same way that management

systems in finance, marketing and operations management provide clear feedback regarding

managers' decision quality (Boudreau, 2010; Boudreau and Ramstad, 2007). The ratings in 2010

mirror the results in 2007.  This question had the lowest ratings by both HR executives and

managers of any of the decision science questions.  As in past surveys, these findings suggest that

there is a significant opportunity to improve how well HR systems actually educate leaders about

talent decisions.  Thus, the mean scores in Table 8 for 2007 and 2010 suggest that some HR

leaders are already "at the table" and have opportunities for full partnership in strategy

development and implementation, but that there is significant room for improvement (average

ratings in Table 8 are only at the moderate point on the scale).


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Insert Table 8 Here

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*Performance and HR decision science.*  Does a strong HR decision science associate with

key performance outcomes?  The pattern is again similar to earlier results concerning HR decision

science.  As shown in Table 8, the decision science items are significantly and positively associated

with HR's strategic role, the effectiveness of the HR function and organizational performance.  We

do not know the causal direction of the relationships with strategy involvement. These results

might suggest that when organizations achieve high HR strategy involvement, HR executives

perceive themselves and their business leaders as better on all elements of the HR decision

science. They may perceive leaders to be better at talent segmentation and they may better

educate leaders about their talent decisions.

Alternatively the causal direction may go from strategic role to decision-science

sophistication. This interpretation is consistent with the typical situation that we see in

organizations, where a handful of HR leaders are highly skilled at talent segmentation and strategic insights. Often they developed this ability through fortuitous career opportunities to observe and participate in business strategy. This interpretation would support efforts to get HR leaders more involved in strategy, as a way to enhance the HR decision science. The causal direction may also be that enhancing the decision science capability of managers outside of HR leads to HR strategic involvement.

In any case, the patter suggests that the items measuring the level of HR decision science are uniformly positively associated with the items measuring important HR and organizational outcomes. Decision science sophistication matters, though it has remained stubbornly near the midpoint of the scale for many years.

*Organizations' management approach and HR decision science.* Table 9 shows the correlations between the HR decision science items and the extent to which organizations pursued the various management approaches. Once again, the pattern mirrors what we have seen in other HR areas. Specifically the extent of HR decision science activities and outcomes are uniformly negatively correlated with the extent to which organizations adopt a bureaucratic and low-cost-operator approach, yet uniformly positively correlated with the extent to which organizations adopt high-involvement, global-competitor and sustainable approaches. The associations are particularly strong for the high-involvement and sustainable approaches.

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Insert Table 9 Here

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Again, the pattern suggests that part of the reason for slow progress may be the approach that the organization adopts to achieve its strategic goals. Some approaches seem to afford HR more opportunity for higher levels of decision science sophistication.

**Satisfaction with HR Skills**

The skills and knowledge of the members of an organization's HR function are an important determinant of what it does and how well it performs (Ulrich et al., 2008). Much of the high-value-added work HR does is knowledge work that requires considerable expertise in a wide variety of areas. The knowledge and skills requirements for the members of an organization's staff functions are continuing to evolve just as they are for the firm's core business and technical units.

In our survey, we asked respondents to indicate the degree of their satisfaction with HR skills in 15 different areas. The 15 skill areas were grouped into four categories: HR Technical Skills, Interpersonal Dynamics, Business Partner Skills and Metrics Skills, with the rating scale for each group being the average of the items included. Table 10 shows the item-group scales and the items included in each group. Note that we report data for 2004, 2007 and 2010, which are the years for which comparable scales can be constructed.

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Insert Table 10 Here

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*Stubborn Traditionalism in HR skill satisfaction*. Table 10 shows the average level of HR skill satisfaction in 2004, 2007 and 2010. The two highest levels of satisfaction are with HR technical and process skills and interpersonal dynamics. Business partner skills and metrics skills are rated lower. Again, the level and pattern of ratings is very similar between the three years, suggesting stubborn traditionalism. It should be noted that for individual items that were not

common across all years, and thus not reported here, there was some evidence of increasing

interpersonal skills and business understanding (see Lawler & Boudreau, 2012, Table 13.2, page

112).

The high level of satisfaction with interpersonal skills is a positive, but may reflect HR

being an eager-to-please "nice guy" when it could add more value by being an effective business

partner and/or metrics expert. A relatively low area of satisfaction is business partner skills.  Other

data in the survey (not reported here but available in Lawler and Boudreau, 2012) suggest that HR

staff rarely gain cross-functional experience, a factor that may contribute to the relatively low

scores in the business partner area.  Metrics skills are particularly critical in terms of the ability of

the HR function to play a major business strategy role.

Overall, the results for skill satisfaction are somewhat more varied in terms of stubborn

traditionalism, but for several key emerging skills (e.g., metrics and business partner), there does

appear to be much room for improvement but not much change from 2004 to 2010 (this pattern

also holds for those items used in surveys before 2004, as reported in Lawler and Boudreau,

2012).

*HR skill satisfaction and organizational performance.*  Table 10 shows the correlations

between HR skill satisfaction and the three HR performance outcomes using data from the 2010

sample.  Consistent with the findings reported in earlier sections, there is a remarkably similar

pattern of significant positive correlations.  Across all four skill areas, those reporting greater skill

satisfaction also report a stronger HR role in strategy, stronger HR functional effectiveness, and

stronger organizational performance.  Again, correlations do not provide causal evidence, but it

seems plausible that enhancing HR skills and skill satisfaction may be a way to enhance

performance outcomes.  Thus, increasing these skills may well represent an untapped opportunity

to increase organizational and HR effectiveness.  It is interesting that the pattern of correlations

suggests roughly similar relationships for each skill area.  One skill set does not seem to dominate

another in its relationship with performance.  Those skills rated lower (business partner and

metrics skills) are as strongly related to performance outcomes as more traditional skills that are

rated higher.  Thus, the larger room for improvement in business partner and metrics skills may

offer a particularly fertile ground for achieving HR excellence.

*Management approach.*  Table 11 shows the correlations between the different

management approaches and HR skill satisfaction.  Once again the bureaucratic approach is

associated negatively with skill satisfaction in all areas.  Similar to other findings, the correlations

with the low-cost-operator approach are negative, but unlike earlier findings they do not reach

statistical significance.  Once again, the extent to which organizations pursue a high-involvement

approach and a sustainable management approach is positively and significantly associated with

HR skill satisfaction.  The extent of the global-competitor approach is positively associated with HR

skill satisfaction, but fails to reach significance, except for metrics skills.  As with other advanced

HR features discussed earlier, it appears that the levels of HR skills depends upon the

management approach, with the bureaucratic approach presenting particularly significant

challenges, and high-involvement and sustainable approaches presenting significant opportunities

for higher skill satisfaction levels.

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Insert Table 11 Here

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Thus, HR skill satisfaction follows a similar pattern, showing stubbornly consistent levels at

the midpoint of the scale, while relating significantly and positively to important HR outcomes.  It

also appears that the organization's management approach may offer a partial explanation for variations on HR progress.

**HR Value Proposition**

Boudreau and Ramstad (2007) suggest that mature professions evolve to a balance of adding value through insuring rule compliance, providing good services and supporting and educating decisions. All three of these things add value in HR, as they do in other disciplines such as finance, marketing and operations. Yet, they imply very different relationships between HR and the rest of the organization and its leaders. Has the HR profession advanced in the extent to which it adds value in these three areas? Do they relate differently to performance outcomes? Finally, does the organization's operational approach differentially favor one form of value proposition over others?

*Stubborn Traditionalism in the HR value proposition*. Table 12 shows the average ratings of the extent to which HR adds value through each of the three propositions. We have data for two survey waves in 2007 and 2010. Again the results suggest little difference between the two years. Interestingly, all three value propositions are rated at approximately the same level, just above the midpoint of the scale, on average. This suggests that indeed there is generally a balanced approach to the way HR adds value. It is also interesting that the extent to which value is added through each of the three propositions has not shifted from 2007 to 2010. Thus, while the results suggest relative balance among the value propositions, they also suggest that the perceived level of that value has not changed very much. Boudreau & Ramstad (2007) suggested that HR, like other professions, might evolve from a relatively exclusive focus on compliance, to a balance of compliance and services, and then to a balance of compliance, services and decision

support.  Our results suggest that instead the HR function has consistently generated moderate levels of value in all three arenas for some time, rather than evolving through these stages.

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Insert Table 12 Here

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*HR value proposition and performance.*  The pattern of correlations in Table 12 suggests that all three value propositions are associated with HR's role in strategy, HR's functional effectiveness, and organizational performance.  Adding value through compliance is somewhat less strongly correlated with the outcome variables, which may suggest that compliance has become a basic expectation, more than a way to distinctively advance HR and organizational goals.  The most significant conclusion is that all three value propositions are associated with performance outcomes, yet they are also stubbornly situated at the middle of the response scale in both 2007 and 2010.  Again, correlations are not causal, so it is possible that HR leaders in well-performing HR functions and organizations perceive themselves as adding more value in all three areas.  Still, at least part of the association may be due to performance outcomes rising when HR adds value in these three ways.

*Organizations' operational approach.*  Table 13 shows the correlations between the ratings of the three HR value propositions and the extent of the different management approaches.  We see a similar pattern, with one interesting variation.  As before, there is generally a negative association between the level of value creation through all three value propositions and the extent to which organizations pursue a bureaucratic or low-cost operator approach. There is a positive association between the level of value creation for all three value propositions and the extent that organizations pursue high-involvement and sustainable management approaches.

Again the relationships for the global competitor are much less strong than for the high-involvement and sustainable management approaches. Yet here, the distinction between the compliance value proposition and the services and decision value proposition is striking. For the compliance value proposition, the correlations are weaker. Again, this seems to suggest that adding value through compliance may be a basic element of HR, expected and delivered in most organizations, and thus not distinctive, while adding value through services and decision support provides greater differentiation between the value propositions.

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Insert Table 13 Here

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**Conclusions and Implications**

Our data corroborates the widespread finding and general impression that HR is changing slowly at best. The ratings of the activities, effectiveness and time spent by HR organizations are little changed between the 2007 and 2010 surveys, and for those on which data is available for a longer period, they appear little changed for as long as 15 years. HR leaders tend to rate themselves near the midpoint of the scale on most features of the HR function and its effectiveness. Stubborn traditionalism and a tendency toward average performance seems to characterize the HR profession.

HR has advanced in some areas. In other results of our 2010 survey there is evidence of the increased use of technology, a broader recognition of the value of human capital, and innovations in the way that HR departments and functions are organized into service centers and centers of expertise (Lawler and Boudreau, 2012). However, the results reported here suggest

that HR has not yet broken through the tendency to remain bound to more traditional approaches and roles in most respects. Many necessary changes have not taken place.

As organizations do more knowledge work, there is an increasing need for HR leaders to not only respond to strategies, but to shape them based on talent and organizational competencies and capabilities.  In addition, the rapid rate of change, the need to develop new strategies and to quickly translate them into human resource strategies, and the likelihood that the availability and development of talent will be a key strategic differentiator, have greatly increased the desirability of HR being a strategic contributor.  Our results support this view, through the consistently positive relationship between advanced HR features and outcomes such as HR's role in strategy, HR functional effectiveness and organizational performance.

Our results showing a positive relationship between organizational outcomes and greater HR skill levels may be due to the fact that for HR to influence strategy the profession needs individuals who understand how business strategies and plans connect to talent and organization design and management. They also need to know how to shape business strategies to fit emerging human capital opportunities and threats.  Some of this work can be outsourced to HR strategy consultants; however, we believe there needs to be a strong internal presence of individuals who have good HR knowledge, who can manage consultants, and who can be fully engaged when strategies are formulated.  HR's strategic role ultimately needs to be led by a senior executive in the organization, not by a consultant.

Quite possibly the biggest change that needs to occur in HR if it is to change has to do with talent management, not elsewhere in organizations, but how talent is managed in HR.  HR professionals must educate business leaders to make human capital decisions that are as logical, rigorous and strategic as are their decisions about money, technology and customers (Boudreau

2010, 2012). They need to identify the pivot points in the business that drive strategic and

organizational effectiveness, and then connect human capital decisions to those pivot points

(Boudreau & Ramstad, 2007). Our results suggest that these decision-science features are both

stubbornly traditional and slow to change, but also positively related to organizational

performance.

Our cross-sectional results regarding the organization's management approach suggest

that the HR profession must also consider where the most fertile ground for advancing the

profession lies. Consistently our results suggest that organizations characterized as innovative and

sustainable achieved higher levels of advanced HR features, while those characterized as low-cost

operators and bureaucratic achieved lower levels of advanced HR features. As noted earlier, we

calculated the correlation between the ratio of HR employees to total employees, with each of the

ratings of management approaches. None of the correlations reached statistical significance, but

the correlation with Bureaucratic approach was -.078, and the correlation with Sustainable was

.105, suggesting that perhaps these two "extreme" approaches be directionally opposite, with the

Bureaucratic approach spreading HR more thinly.

It seems possible that HR leaders attempting to advance their profession may need to

consider whether it is better to battle the "headwind" of working in low-cost or bureaucratic

organizations, versus either changing to new organizations or transforming their organizations to

adopt sustainable and innovation-focused approaches. Future research might examine whether

one explanation for variability in HR progress and success may be the underlying organizational

approach to achieving its objectives.

The need for a new business model for HR has been accepted and acknowledged by many

HR executives, but the human resource function still appears to be at the very beginning of the

changes that are needed in order for it to become a reality. Our study demonstrates that the

change process is slower than anticipated. We believe there should be enormous change in the

design and operation of human resource functions, and our results offer some insight into where

it is most likely to occur.

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**Table 1. Organizational Management Approach**

| To what extent do these describe how your organization operates? | Little or No Extent | Some Extent | Moderate Extent | Great Extent | Very Great Extent | Mean of 5-point scale |
|---|---|---|---|---|---|---|
| **Bureaucratic** (hierarchical and top-down) | 12.8% | 29.9% | 24.6% | 27.8% | 4.8% | 2.82 |
| **Low Cost Operator** (minimum compensation, low-cost focus) | 40.0% | 29.2% | 21.6% | 7.6% | 1.6% | 2.02 |
| **High Involvement** (participative, flat, High career commitment) | 9.1% | 25.7% | 26.2% | 29.4% | 9.6% | 3.05 |
| **Global Competitor** (complex work, hire the best, low career commitment) | 20.4% | 28.5% | 23.1% | 21.0% | 7.0% | 2.66 |
| **Sustainable** (agile, both financial and sustainability goals) | 4.8% | 18.2% | 27.8% | 38.0% | 11.2% | 3.33 |

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**Table 2.  HR Leader Estimates of How They Spend Their Time Now and 5-7 Years ago**

| Please estimate the percentage of time your HR function spends performing these roles… | 5 – 7 Years Ago | Current | Difference |
|---|---|---|---|
| **Maintaining Records** Collect, track, and maintain data on employees | 23.2% | 13.6% | Significant Decrease |
| **Auditing/Controlling** Ensure compliance to internal operations, regulations, and legal and union requirements | 15.7% | 12.5% | Significant Decrease |
| **Human Resources Service Provider** Assist with implementation and administration of HR practices | 32.8% | 30.4% | Significant Decrease |
| **Development of HR Systems and Practices** Develop new HR systems and practices | 14.4% | 16.7% | Significant Increase |
| **Strategic Business Partner** Member of the management team.  Involved with strategic HR planning, organizational design, and strategic change | 13.9% | 26.8% | Significant Increase |

**Table 3. HR Leader Estimates of Time Allocation**

| Please estimate the percentage of time your HR function spends performing these roles… | 1995 | 1998 | 2001 | 2004 | 2007 | 2010 |
|---|---|---|---|---|---|---|
| **Maintaining Records** Collect, track, and maintain data on employees | 15.4% | 16.1% | 14.9% | 13.2% | 15.8% | 13.6% |
| **Auditing/Controlling** Ensure compliance to internal operations, regulations, and legal and union requirements | 12.2% | 11.2% | 11.4% | 13.3% | 11.6% | 12.5% |
| **Human Resources Service Provider** Assist with implementation and administration of HR practices | 31.3% | 35.0% | 31.3% | 32.0% | 27.8% | 30.4% |
| **Development of HR Systems and Practices** Develop new HR systems and practices | 18.6% | 19.2% | 19.3% | 18.1% | 19.2% | 16.7% |
| **Strategic Business Partner** Member of the management team. Involved with strategic HR planning, organizational design, and strategic change | 22.0% | 20.3% | 23.2% | 23.5% | 25.6% | 26.8% |

**Table 4. Time Spent and Key Performance Outcomes**

| Please estimate the percentage of time your HR function spends performing these roles | Correlation with HR Role in Strategy (2010) | Correlation with HR Effectiveness (2010) | Correlation with Organization Performance (2010) |
|---|---|---|---|
| **Maintaining Records** Collect, track, and maintain data on employees | -.18* | -.42*** | -.12 |
| **Auditing/Controlling** Ensure compliance to internal operations, regulations, and legal and union requirements | -.17* | -.30*** | -.13 |
| **Human Resources Service Provider** Assist with implementation and administration of HR practices | -.18* | -.24** | -.23* |
| **Development of HR Systems and Practices** Develop new HR systems and practices | .05 | .12 | .16$^{t}$ |
| **Strategic Business Partner** Member of the management team. Involved with strategic HR planning, organizational design, and strategic change | .31*** | .54*** | .27** |

Significance Level:     $^{t}$ $p \leq .10$       * $p \leq .05$       ** $p \leq .01$      *** $p \leq .001$

**Table 5. HR Time Allocation and Organization's Management Approach (2010 sample)**

| Please estimate the percentage of time your HR function spends performing these roles | Bureau-cratic (hierarchical and top-down) | Low Cost Operator (minimum compensation, low-cost focus) | High Involvement (participative, flat, High career commitment) | Global Competitor (complex work, hire the best, low career commitment) | Sustain-able (agile, both financial and sustainability goals) |
|---|---|---|---|---|---|
| **Maintaining Records** Collect, track, and maintain data on employees | .19* | .30*** | -.23** | -.12 | -.11 |
| **Auditing/Controlling** Ensure compliance to internal operations, regulations, and legal and union requirements | .12 | .09 | -.18* | -.06 | -.17* |
| **Human Resources Service Provider** Assist with implementation and administration of HR practices | .14$^t$ | .10 | -.04 | -.06 | -.02 |
| **Development of HR Systems and Practices** Develop new HR systems and practices | -.11 | -.20** | .16* | .23** | .09 |
| **Strategic Business Partner** Member of the management team. Involved with strategic HR planning, organizational design, and strategic change | -.24** | -.20** | .16* | .03 | .11 |

Significance Level: $^t p \leq .10$    * $p \leq .05$    ** $p \leq .01$    *** $p \leq .001$

**Table 6. HR Advanced Strategy Activities**

| To what extent does each of the following describe the way your HR organization currently operates? | Mean | | | Correlation with HR Role in Strategy (2010) | Correlation with HR Effectiveness (2010) | Correlation with Organization Performance (2010) |
|---|---|---|---|---|---|---|
| | 2004 | 2007 | 2010 | | | |
| There is a human capital strategy that is integrated with business strategy | 3.2 | 3.3 | 3.0 | .46*** | .54*** | .33*** |
| Provides HR data to support change management | 3.2 | 3.0 | 3.0 | .45*** | .60*** | .23* |
| (HR) Drives change management | 3.4 | 3.2 | 3.1 | .49*** | .65*** | .20* |
| Data-based talent strategy | 2.7 | 2.6 | 2.7 | .31*** | .50*** | .22* |
| Provides analytic support for business decision-making | 2.9 | 2.8 | 2.8 | .43*** | .58*** | .24** |
| Makes rigorous data based decisions about human capital management | 2.7 | 2.6 | 2.7 | .44*** | .60*** | .18$^{t}$ |

Response Scale:  1 = Little or No Extent, 2 = Some Extent, 3 = Moderate Extent, 4 = Great Extent, 5 = Very Great Extent

Significance Level:       $^{t}p \le .10$        * $p \le .05$       ** $p \le .01$     *** $p \le .001$

**Table 7. Advanced Strategy Activities and Organization's Management Approach (2010 sample)**

| To what extent does each of the following describe the way your HR organization currently operates? | Bureaucratic (hierarchical and top-down) | Low Cost Operator (minimum compensation, low-cost focus) | High Involvement (participative, flat, High career commitment) | Global Competitor (complex work, hire the best, low career commitment) | Sustainable (agile, both financial and sustainability goals) |
|---|---|---|---|---|---|
| **There is a human capital strategy that is integrated with business strategy** | -.23** | -.15* | .39*** | .26*** | .31*** |
| **Provides HR data to support change management** | -.23** | -.10 | .37*** | .13t | .34*** |
| **HR drives change management** | -.35*** | -.19* | .42*** | .19** | .30*** |
| **Data-based talent strategy** | -.09 | -.03 | .29*** | .21** | .28*** |
| **Provides analytic support for business decision-making** | -.22** | -.07 | .36*** | .15* | .33*** |
| **Makes rigorous data based decisions about human capital management** | -.18* | -.02 | .29*** | .24*** | .40*** |

Response Scale: 1 = Little or No Extent, 2 = Some Extent, 3 = Moderate Extent, 4 = Great Extent, 5 = Very Great Extent

Significance Level:     t $p \leq .10$        * $p \leq .05$        ** $p \leq .01$        *** $p \leq .001$

**Table 8.  HR Decision Science and Performance Outcomes**

| To what extent are these statements true about your organization? | 2007 Mean | 2010 Mean | Correlation with HR Role in Strategy (2010) | Correlation with HR Effectiveness (2010) | Correlation with Organization Performance (2010) |
|---|---|---|---|---|---|
| **We excel at competing for and with talent where it matters most to our strategic success** | 3.2 | 3.1 | .34*** | .58*** | .32*** |
| **Business leaders' decisions that depend upon or affect human capital (e.g. layoffs, rewards, etc.) are as rigorous, logical and strategically relevant as their decisions about resources such as money, technology and customers** | 2.9 | 3.0 | .43*** | .57*** | .27** |
| **HR leaders have a good understanding about where and why human capital makes the biggest difference in their business** | 3.2 | 3.3 | .51*** | .61*** | .33*** |
| **Business leaders have a good understanding about where and why human capital makes the biggest difference in their business** | 3.2 | 3.1 | .41*** | .46*** | .24* |
| **HR systems educate business leaders about their talent decisions** | 2.5 | 2.4 | .39*** | .55*** | .27** |

Response Scale:  1 = Little or No Extent, 2 = Some Extent, 3 = Moderate Extent, 4 = Great Extent, 5 = Very Great Extent

Significance Level:  $^t p \le .10$     $^* p \le .05$     $^{**} p \le .01$     $^{***} p \le .001$

**Table 9. HR Decision Science and Organization's Management Approach (2010 sample)**

| To what extent are these statements true about your organization? | Bureaucratic (hierarchical and top-down) | Low Cost Operator (minimum compensation, low-cost focus) | High Involvement (participative, flat, High career commitment) | Global Competitor (complex work, hire the best, low career commitment) | Sustainable (agile, both financial and sustainability goals) |
|---|---|---|---|---|---|
| **We excel at competing for and with talent where it matters most to our strategic success** | -.30*** | -.25*** | .50*** | .25*** | .34*** |
| **Business leaders' decisions that depend upon or affect human capital (e.g. layoffs, rewards, etc.) are as rigorous, logical and strategically relevant as their decisions about resources such as money, technology and customers** | -.19* | -.19* | .40*** | .09 | .38*** |
| **HR leaders have a good understanding about where and why human capital makes the biggest difference in their business** | -.29*** | -.19* | .40*** | .16* | .40*** |
| **Business leaders have a good understanding about where and why human capital makes the biggest difference in their business** | -.24*** | -.16* | .38*** | .19** | .36*** |
| **HR systems educate business leaders about their talent decisions** | -.08 | -.10 | .25*** | .17* | .31*** |

Response Scale:  1 = Little or No Extent, 2 = Some Extent, 3 = Moderate Extent, 4 = Great Extent, 5 = Very Great Extent

Significance Level:       $^t p \leq .10$        $* p \leq .05$       $** p \leq .01$     $*** p \leq .001$

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**Table 10.  HR Skill Satisfaction and HR Performance Outcomes**

| How satisfied are you with current HR professional/managerial staff in each of these areas? | 2004 Mean | 2007 Mean | 2010 Mean | Correlation with HR Role in Strategy (2010) | Correlation with HR Effectiveness (2010) | Correlation with Organization Performance (2010) |
|---|---|---|---|---|---|---|
| **HR Skills** (technical and process) | 3.8 | 3.6 | 3.6 | .33*** | .66*** | .25** |
| **Interpersonal Dynamics** (teaming, interpersonal, leadership, consultation) | 3.7 | 3.6 | 3.6 | .36*** | .65*** | .29*** |
| **Business Partner Skills** (strategy, organization design, global, change, business savvy) | 3.0 | 3.0 | 3.1 | .38*** | .64*** | .23* |
| **Metrics Skills** (HRIS, measurement, analytics) | 2.8 | 2.7 | 2.9 | .31*** | .56*** | .17$^{t}$ |

Response Scale: 1 = Very Dissatisfied, 2 = Dissatisfied, 3 = Neither, 4 = Satisfied, 5 = Very Satisfied

Significance Level:      $^{t}$$p$ ≤ .10         * $p$ ≤ .05        ** $p$ ≤ .01       *** $p$ ≤ .001

**Table 11.  HR Skill Satisfaction and Organization's Management Approach**

| How satisfied are you with current HR professional/managerial staff in each of these areas? | Bureau-cratic (hierarchical and top-down) | Low Cost Operator (minimum compensation, low-cost focus) | High Involvement (participative, flat, High career commitment) | Global Competitor (complex work, hire the best, low career commitment) | Sustainable (agile, both financial and sustainability goals) |
|---|---|---|---|---|---|
| **HR Skills** (technical and process) | -.23** | -.15$^t$ | .33*** | .14$^t$ | .25*** |
| **Interpersonal Dynamics** (teaming, interpersonal, leadership, consultation) | -.27*** | -.11 | .28*** | .00 | .26*** |
| **Business Partner Skills** (strategy, organization design, global, change, business savvy) | -.19* | -.20* | .29*** | .04 | .33*** |
| **Metrics Skills** (HRIS, measurement, analytics) | -.12 | -.06 | .15$^t$ | .19* | .30*** |

Response Scale: 1 = Very Dissatisfied, 2 = Dissatisfied, 3 = Neither, 4 = Satisfied, 5 = Very Satisfied

Significance Level:        $^t p \le .10$        * $p \le .05$        ** $p \le .01$        *** $p \le .001$

**Table 12.  The HR Value Proposition over Time and Performance Outcomes**

| To what extent are these statements true about your organization? | 2007 Mean | 2010 Mean | Correlation with HR Role in Strategy (2010) | Correlation with HR Effectiveness (2010) | Correlation with Organization Performance (2010) |
|---|---|---|---|---|---|
| **HR adds value by insuring compliance with rules, laws and guidelines** | 3.5 | 3.4 | .15* | .34*** | .27** |
| **HR adds value by delivering high quality professional practices and services** | 3.6 | 3.6 | .46*** | .72*** | .30*** |
| **HR adds value by improving talent decisions inside and outside the HR function** | 3.6 | 3.5 | .44*** | .64*** | .29** |

Response Scale:  1 = Little or No Extent, 2 = Some Extent, 3 = Moderate Extent, 4 = Great Extent, 5 = Very Great Extent

Significance Level:        $^t p \le .10$        $* p \le .05$        $** p \le .01$        $*** p \le .001$

**Table 13. The HR Value Proposition and the Organization's Management Approach.**

| To what extent are these statements true about your organization? | Bureaucratic (hierarchical and top-down) | Low Cost Operator (minimum compensation, low-cost focus) | High Involvement (participative, flat, High career commitment) | Global Competitor (complex work, hire the best, low career commitment) | Sustainable (agile, both financial and sustainability goals) |
|---|---|---|---|---|---|
| HR adds value by insuring compliance with rules, laws and guidelines | $-.15^t$ | -.04 | .17* | .07 | .21** |
| HR adds value by delivering high quality professional practices and services | -.29*** | -.17* | .46*** | .06 | .31*** |
| HR adds value by improving talent decisions inside and outside the HR function | -.30*** | -.18* | .45*** | $.13^t$ | .27*** |

Response Scale: 1 = Little or No Extent, 2 = Some Extent, 3 = Moderate Extent, 4 = Great Extent, 5 = Very Great Extent

Significance Level: $^t p \le .10$    $* p \le .05$    $** p \le .01$    $*** p \le .001$