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**Effective HR Management: Will HR
Capabilities Face the Future**

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Effective HR Management: Will HR Capabilities Face the Future

(Talent Management Magazine Feature)

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and

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Abstract: USC professors John Boudreau and Ed Lawler describe a unique longitudinal study of the evolution of the HR function that began in 1995 with data collection done every 3 years. The results suggest that HR is changing slower than most HR leaders believe, and they suggest how to accelerate the path to a more effective HR profession.

Feature begins:

Is the HR profession evolving in the areas that are most strongly associated with HR's effectiveness in contributing to corporate strategy and organizational performance? Since 1995, researchers at the Center for Effective Organizations, at the University of Southern California's Marshall School of Business have been studying this question. The results suggest that the profession may be changing more slowly than most HR professionals imagine and that HR is not as effective as it can and should be.

Research Design

Our analysis of what HR does and its effectiveness is based on surveys of hundreds of organizations, conducted every three years since 1995. The surveys asked similar questions and gathered data from top HR leaders in organizations with

more than 1,000 employees. Because the questions and the sample are similar in all our surveys, we can compare the responses over the years and see the rate of change. Our surveys include measures of the role of HR in business strategy, change management, and whether or not HR makes rigorous data-based talent management decisions. Further information about past surveys can be found in our book, *Effective Human Resource Management*, published by Stanford University Press in 2012.

The full results of our study upon which this article is based will be published in our 2015 book, *Excellence in HR*, published by Stanford University Press.

What HR Does

Overall, HR still spends about the same amount of its time on being a strategic business partner in 2013 (27%), as it did in 1995 (22%). This result is not consistent with the many magazines, books, and reports that talk about HR being a strategic business partner. The best explanation for this difference is that they focus on a very elite group of organizations that may be pursuing quite progressive HR agendas and activities, but that group represents a rarified picture of HR's progress. It does not appear that such progress is the norm for the vast majority of HR organizations. In this article, we focus on one possible explanation for the lack of change in HR activities – the skills of HR professionals.

HR Skills

Directly stated, most HR functions simply do not have the skills needed to do anything other than execute a traditional HR administrative or service-provider role. Certainly, administrative excellence and high-quality HR processes and services can add great value to organizations. Still, it goes without saying that if HR is not perceived to have the skills needed to execute other than traditional personnel work, it is unlikely to get a “seat at the table” when business issues are being decided.

To determine the skills of HR leaders and staff in an organization we asked HR leaders and non HR managers to assess them. Table 1 presents the results. They show that in many skill areas, the perception of both HR and non-HR managers is that HR is not highly skilled. The vast majority of skill ratings by HR leaders average at or below 3 (neither satisfied nor dissatisfied) on a 5-point scale. The highest ratings are in HR technical skills and the second highest is in interpersonal skills. HR gives itself low ratings on data analysis, metrics, and cross functional experience. The non-HR executives’ ratings show a similar pattern, with the highest ratings in the most traditional HR areas. This same pattern has emerges in

each of our previous studies starting in 1995. Overall, the results suggest that HR does what it has the skills to do: traditional administration and service delivery.

In most skill areas, non-HR leaders are as satisfied with the skills in HR, as are HR leaders. But in the emerging skill areas (such as metrics, analytics, social media and risk), non-HR leaders report being more significantly more satisfied with HR skills than do the HR leaders. While this might be seen as good news for HR, it is also the case that the ratings are generally not stellar, with these areas being the lowest rated by both HR and non HR leaders, and the averages for non HR managers hovering just above neutral.

One reason that non HR leaders may be more satisfied with these skills than HR leaders, is that non-HR leaders do not yet know what is possible, especially in emerging areas, while HR leaders may see much greater potential for their skills and contribution. In a related research at the Center for Effective Organizations, we found that in many of these areas, HR leaders feel that their ideal role is one of leadership, but that their current actual role is often one of being only occasionally involved.

One additional reason why HR leaders may rate their skills lower than others do is that HR has a self-esteem problem. For decades, the business press has criticized HR and has questioned its “business savvy”. It also is true that in some organizations, it is seen as bureaucratic and ineffective. The cumulative result may be to create a low self-esteem function.

Do the skills we studied associate with important areas of HR performance? The answer is yes. Data analysis shows that satisfaction with virtually all the skills in Table 1 correlate significantly with both HR’s role in strategy and HR’s functional effectiveness. Those HR leaders reporting higher skill satisfaction report a greater role in strategy and greater HR functional effectiveness. In particular, skills in interpersonal dynamics, business partnering, and metrics have a stronger relationship with HR’s role in strategy than do the other skills, even though these skills remain consistently among the lowest-rated satisfaction areas. Thus, the fact that skill levels are relatively low and have not changed over time may mean that HR is missing opportunities.

What should HR do?

Our results clearly suggest that HR has to improve its skills if it wants to be more effective and play a more important role in organizations than it currently does.

The problem is not in the administrative and soft skills areas; it is primarily in the business related, technology and data analysis areas. These are areas that can be improved in HR departments. Training can help, but it may not be enough.

Rotating individuals from other parts of the organization, or hiring individuals with the skills, may be needed. Our sample rated rotation into and out of the HR function as happening to “a little” or to “some” extent, despite the fact that both types of rotation were significantly associated with a stronger HR strategic role. Many of these skills are not what HR leaders typically learn. In many instances, it seems those who choose an HR career do so to avoid such skill requirements.

Finally, it may be that HR needs to raise its self-esteem. It is surprising that with respect to seven of the skills asked about, non-HR executives rate HR higher than HR executives do. This is in notable contrast to what often happens when individuals evaluate themselves. They usually have a more positive view than others have. Thus, our expectation was that the reverse would be true, that the HR world would be underappreciated and not over respected. Apparently all the criticism that it has gotten over the years has been taken seriously, indeed perhaps too seriously!

Table 1. HR skill satisfaction comparing HR and non-HR executives in 2013	HR Exec	Non-HR Exec
	Mean	Mean
Team skills.	3.66	3.60
HR technical skills.	3.69	3.87
Business understanding.	3.30	3.23
Interpersonal skills.	3.91	3.77
Cross-functional experience.	2.75	3.04
Consultation skills.	3.12*	3.47*
Leadership/management.	3.44	3.49
Global understanding.	2.90	3.21
Organization design.	2.87*	3.30*
Strategic planning.	2.71	3.00
Information technology.	2.96	3.17
Change management.	3.09	3.39
Metrics development.	2.62*	3.17*
Data analysis and mining.	2.56*	3.04*
Sustainability.	2.80*	3.26*
Social media.	2.77*	3.19*
Globalization.	2.84	3.15
Risk management.	3.02*	3.45*

Significant Difference

(1 = very dissatisfied, 5 = very satisfied)