



Center for
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**What HR Executives Need to Know
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Any discussion of what key capabilities HR executives will need in the future must begin with a discussion on what HR should do in the future. For the past 20 years, John Boudreau and I have been conducting a longitudinal study on the role of HR in corporations (Lawler and Boudreau, 2015). The data are clear and quite disappointing. They continue to show that the work HR does in most large corporations is dominated by administrative and some “business partner” activities (57% of their time). Missing from the work of most HR functions is significant strategic input and action with respect to business strategy and overall organizational effectiveness (27% of their time).

While it is not certain why HR is not more of a strategic contributor in most corporations, one reason may be because it sets too low an aspiration level. It has expertise about one of the most important assets and in many cases the most important asset that an organization has, its human capital. Other executives do recognize that human capital is a critical asset in today’s knowledge work environment so the lack of market need does not appear to be a reason.

Talking about HR as a business partner certainly does not help the situation. Asking to be a business partner just does not get the “job done”. It sounds like HR is a “crybaby wannabe” rather than an “is”. No one ever hears finance, marketing, or information systems people talk about wanting to be a business partner. They are significant contributors to overall effectiveness of organizations because they have relevant information and knowledge. This is what HR should be, and in most cases, it should make a very strong argument to be positioned as a major strategic contributor.

There is a second possible reason why HR may not be a key contributor when it comes to the strategic role of human capital. It is that the individuals who occupy senior executive roles simply do not have the right skills and capabilities needed in order to correctly position HR as a source of expertise and key decision making with respect to talent and business strategy.

My research has found that both HR executives and non-HR executives rate “business understanding” as one of the most important HR skills (Lawler and Boudreau, 2012; 2015). However, the same research shows that HR staff members, in general, are not rated highly by HR executives and other executives when it comes to their business acumen and knowledge of the business. Less than

5% of the HR executives are satisfied with the skills of HR staff in the areas of strategic planning, organization design, and change management. Further, it shows little improvement from 1995 to 2013. This leads to the obvious conclusion that in order to be successful in the next decade, HR executives must improve the key capability and their understanding of the relationship among talent, organization design, business strategy, and organizational effectiveness. The relationship is captured in the “Star Model” that Jay Galbraith has used so skillfully in his writing about organization design and effectiveness.

From an HR executive’s point of view, the key is not understanding strategy and organization design to the depth that would be expected of an executive that specializes in these areas. But it is important that HR executives have a solid knowledge of the relationship among talent, organization design, business strategy, and organization effectiveness and that they speak the language of business. It is through the understanding of these relationships that the entire HR function can become an important strategic contributor in complex organizations.

Unfortunately, there is no magic formula that can be used to help HR executives develop the capability to understand and implement effective HR business strategy relationships. There are a couple of obvious points to make

here, however. At the present time, many HR executives reach their senior positions without having an MBA or a line management position. This career path is not one that is likely to prepare an individual for a senior HR position that contributes to strategy development, strategy implementation, organizational design, and organizational effectiveness. This is why HR and managers report low satisfaction with cross functional experience HR staff members. At the very least, senior HR executives should have some experience in a profit center line management position.

At the other end of the experience continuum, my research data has shown that about 25% of the individuals who are placed in charge of HR have no background in HR. To say the least, this does not seem like the right background for a senior HR executive either. Expertise in HR is needed. According to my research data, there is a high correlation between the skill level of HR executives and the effectiveness of the HR function and a lower but significant relationship between their skill level and the effectiveness of organizations.

All too often individuals who have never worked in HR assume that they “understand people,” and therefore can step into HR positions and perform well. Unfortunately, all too often they not only do not “understand people”, but they

also do not understand the many complex legal administrative and human issues that HR functions have to manage.

Overall, it is clear that there is no obvious path that executives can take in order to develop the key strategic business capabilities needed to be an effective HR executive in the future. But it is possible to state the obvious: simply understanding traditional HR is necessary but not enough. HR executives in the future need thorough educations, career tracks, and personal growth experiences that produce a broad understanding of business strategy, organizational design, organizational change, and organizational effectiveness. Admittedly, this is an ambitious and demanding set of capabilities, and as the world is becoming more complex and demanding, the skills of HR executives as a result increase both horizontally and vertically.

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