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Center for
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**Executive Team Member
Needed**

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First, the obvious: the world of business has changed dramatically since the “Personnel” department became the HR department in the 1970’s. Second, also obvious, is that change has not stopped. In fact it is occurring at an increasingly rapid rate and it is likely to continue. Among the major drivers of change are the continued globalization of business, what the information technology revolution has brought upon us with respect to big data, analytics and communications, and the continued political upheavals that change the global landscape of business.

In order to survive, organizations have had to keep pace with the changes that have occurred. In the future they will have to keep up with an increasingly rapid rate of change in order to survive. Organizations will need to change the way they are structured and managed, the kind of talent that they have, and how they deal with that talent. The decisions organizations make in these areas will profoundly affect their effectiveness and survival (Worley, Williams, and Lawler, 2014). This raises the key question: How do they need to be structured, staffed, and managed in order to be able to have the level of agility that will allow them to effectively respond to the rapidly changing environments that they will face?

An organization’s talent and its effectiveness is key to its ability to successfully adapt to the changing environments it faces. Not changing the behavior of individuals and organizations is a non-starter. Because of the importance of the talent, the structure and nature of the HR function and its leadership deserves special attention. It warrants examination with respect to its ability to support strategic change and organizational effectiveness. Organizations also need an individual who is a member of the senior management team that can contribute HR expertise to business strategy and organization design decisions.

HR and Change

There is a considerable amount of evidence, that despite many calls for change, HR has changed very little over the last thirty or forty years (Lawler and Boudreau, 2015). It is no longer the “personnel department,” instead it is typically called the Human Resources department, and is headed by a CHRO. However, the name change does not mean that the function has changed. It continues to spend most of its time doing administrative work and has not become a major player in developing business strategies, implementing strategy, or organization designs and capability changes. There is also little change in the frequency with which the head of HR reports directly to the CEO, it remains slightly less than 60% of major U.S. corporations (Lawler and Boudreau, 2015). Apparently, often HR does not have a seat at the table even though, in many cases, it is “responsible” for key corporate assets and can potentially help organizations respond more effectively to the rapidly changing and increasingly challenging business environments that they face.

There are a number of reasons why HR has not changed. Perhaps the most important is the demand character of the administrative work HR does. To cite just one example, accurate pay checks need to go out on a timely basis and be correct, and when this does not happen, it becomes a number one priority. An additional reason is HR’s reputation in many organizations as a largely transactional unit that does not relate to business objectives. Its reputation has influenced its ability to attract the best and the brightest talent. Overall, HR has had great difficulty moving on from its personnel administration days, in part because it still does many of the same things it did when it was the personnel department, despite the change of its name.

Should HR be a business partner?

The term “business partner” is frequently used to identify what HR should be, but it is a poor fit for what HR should be in an organization. In a world in which talent is the key asset of many corporations and change is continuous, organizations need to constantly develop new strategies and redesign themselves. What organizations need is not a function that acts as a partner and has a “seat at the table”, but one that helps design, influence, and implement an organization’s business strategy. In other words, they need a business unit that has expertise in talent management and in a number of other organizational issues that are fundamental to the development of business strategy and its implementation. These other areas include organization change, organization design, and corporate board relations.

Key to creating the right kind of business unit is having an executive with the right knowledge of strategic organizational effectiveness at the senior level of management. This individual needs to be sure that discussions about business strategy are informed and guided by knowledge concerning organization design, organizational development, and talent management.

To return to the earlier point about HR being at the table, it is clear that today “being at the table” is no longer enough. The person representing HR at the senior executive table needs to have more than just a seat at the table, he or she needs to be part of setting the table. The executive needs to bring to the table information about the existing talent in the organization, knowledge concerning the marketplace for talent, knowledge of how the organization should be designed in order to support different business strategies, what business strategies are

feasible given the existing condition of the organization, what talent can be obtained in the market, and so on. In other words, they need to be able to point out the positives and negatives of different strategies from a human capital point of view. They need to be able to help their peers understand how human capital management and organization design can influence the marketing, sales, finance, production, and research functions in corporations.

It is one thing to make the case that talent and organization design issues should be front and center when strategic management decision making takes place, it is quite another to create organization designs and structures that support this decision process and support the implementation of the decisions made. Because most HR organizations are focused on administration and operations, they are poorly positioned to develop and implement strategy driven business decisions. As popular press magazine and newspaper articles have pointed out for decades, HR is designed and operates in a bureaucratic manner that does little to positively influence major business results and strategy implementation (see table 1 for examples of criticism). As a CEO I once worked with commented about his HR department, “the BPU (business prevention unit) tells you all the reasons why you can’t do things and rarely suggests changes or practices that will help implement new strategies and changes.” Although not explicitly stated, one reason is because most traditional HR functions do not have the capability to develop and contribute to new business strategies or to change efforts that are strategy driven.

What should Organizations do?

It is obvious that talent management needs to have an administrative component to it. As a result of constant legal changes and societal demands concerning how human capital is

treated by an organization, skilled administration and quick responses to talent management issues are very important. Further, it is clear that organizations need to quickly take advantage of the new technology that exists so they can speed up the bureaucratic processes that they must go through. This allows them to also have better and more accurate data about what is happening to the human capital in an organization and how it is being treated.

Making better use of information technology is not all that HR needs to do and can do to become an effective contributor to organizational performance. My research shows that the more time HR spends on strategy, the more effective it is, and the same is true with respect to change management (Lawler and Boudreau, 2015). Finally, the more it integrates human capital strategy with business strategy, the more effective it is, and the more effective the organization is overall. This point brings us back to the earlier discussion of HR as a strategic contributor versus a business partner. As shown in Figure 1, the focus of a business partner is to help with the operation of an organization. What a business partner does not do, however, is influence the development of business strategy. For this to take place, someone with deep expertise in talent, organization design, and change needs to be at the table and add value when the business strategy is developed and implemented (see Figure 2). The key organization design question is whether this person should only have HR reporting to him/her or have a broader set of direct reports. A related question is: what type of background and expertise should this person have?

Organizational Effectiveness Design

Figure 3 shows an approach to organization design which positions HR, the HR function, and the CHRO as a key operating member of the organization but not part of the top

management team. HR reports to the COO, not the CEO. Reporting to the CEO is the organizational effectiveness unit. The Chief Organizational Effectiveness Officer (COEO) has a seat at the corporate table and is responsible for the development of the businesses strategy, talent management, sustainability, organizational development, organization design, change management, and social responsibility. This position is expected to provide the senior management team with a strategic organizational effectiveness look at their decision making process and to relate to the CHRO on issues of talent management and other HR areas. Some CHRO's currently do provide strategic organizational effectiveness expertise even though they are not identified as the COEO. Still, it may be worth identifying them as the COEO in order to establish the role in the executive team.

One way to think about the organizational effectiveness approach is that the CHRO has a dotted line reporting relationship to the organizational effectiveness officer, but a solid line reporting relationship to the COO. This approach is designed to assure that strategic organization and human capital information arrives to the table when the top management team operates and makes key decisions. When a COO is absent in an organization structure, the CHRO's reporting relationship should be to the head of organizational effectiveness or the CEO.

Separating HR from organizational effectiveness has some parallels with respect to other business functions. Finance and accounting are separate as are sales and marketing. Like traditional HR and organizational effectiveness, the first is transactional and the second is strategic.

It is one thing to create the position of COEO, it is quite another to find individuals with the skills and knowledge that are needed to perform it well. Ideally, the person holding the job

should have expertise in HR, organization design, and business strategy and has spent significant time in a line management job. Individuals like this are rare, so “on the job training” may be required.

Conclusion

Overall, it is clearly time for change in what the HR function does and how it is organized and positioned within large organizations. The business world has changed in ways that make the traditional HR function model obsolete. It is unlikely that there is a single new model that fits most corporations. Many companies will decide to develop their own particular models because of the diversity that exists in the business world and the need to structure the areas that human resource management should deal with vary so much. Some companies are already doing this. For example, they have adopted a version of the organizational effectiveness approach that is represented in Figure 3. Others have added more reporting relations to the CHRO, including sustainability and social responsibility.

Perhaps the best conclusion at this time is that the traditional HR model of a largely administrative unit does not provide all the HR information and knowledge executive teams need in order to create and operate effective organizations. In order to be a major player in the effectiveness of organizations, HR executives need to develop new areas of expertise, and provide strategic leadership in organizational effectiveness. If HR and its executives continue to do business as usual, organizations will look elsewhere for the support they need in order to effectively manage themselves and their talent.

Figure 1

Business Partner

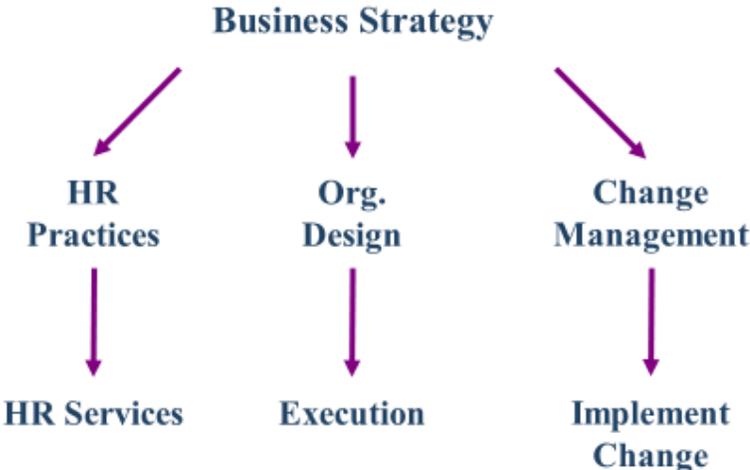


Figure 2

Strategic Contributor



Figure 3

Organizational Effectiveness

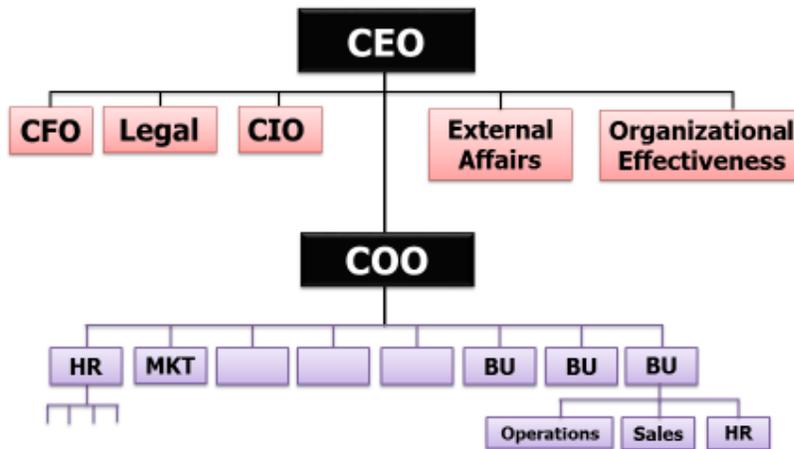


Table 1

Criticism of HR

- Skinner, Wickham. (1981). "Big Hat, No Cattle: Managing Human Resources." Harvard Business Review.
 - Stewart, Thomas. (1996). "Taking on the Last Bureaucracy." Fortune Magazine.
 - Why not blow the sucker up? Improvements are for wimps. I mean abolish it. Deep-six it.
 - Hammonds, Keith. (2005). "Why We Hate HR." Fast Company.
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