

HR as a Strategic Partner: A Critical Review

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Abstract

In this article author has critically reviewed how HR departments today are becoming into Strategic Partners in the organization. Overall strategic role of HR in this article review, examines specific strategic activities that HR leaders can engage in choosing strategy options, designing the organization structure to support strategy, and evaluating merger and acquisition opportunities. It is discussed how certain HR skills, activities and organization design elements offers unique opportunities for enhanced contributions in specific strategy areas for them to be an effective Strategic Partner.

1. The Strategic Partner Role

As per (Boudreau, Lawler, 2009) the Human Resource Department of any organization has three main areas of function that can be identified. These three roles over the last several decades show evolution of Human Resources (HR) department and its important key role in an organization.

As mentioned by (Boudreau, Lawler, 2009) these three key roles or functions mainly are:

1.1 Administrative services

This Include support for people, policies and regulations implementations inside the organization. With reference to this role they are usually engaged in taking care of individual employee administrative matters relating to payroll, leaves, insurances and other benefits. In addition, they provide the support for circulation of any administrative orders by executive management relating to conduct and employee performance.

1.1.1 Business-partner role

In the business partner role HR helps various business units in implementation of their business models. For example, if there is a particular business unit in charge of implementation of Asset Management Business Model then while the technical implementation will come through the Assets Business Unit the support for learning & growth related to Assets capabilities in the culture will be supported by the HR Department in their plans.

1.1.2 Strategic Role

This is the most recent evolution of HR role where the HR executives find themselves in the strategy formulation stage with the executive management. Therefore, rather than implementing and supporting strategic activities for the organization they are engaged in the strategy formulation decision making. This can happen in many ways but too emphasize the key input involved here and then be partner to the decision making of an organization. For e.g., charting out the projects each business units might undertake for next 5-years of the strategy in line with the Strategic directions of the organization then here HR plays a key role in analyzing if the required skills and human resources are available for those projects. In addition, based on their input some projects will get accepted and some will get rejected. This in turn will influence the Corporate Strategic Plan and its associated analyses. A clear example of how HR role has evolved into input for decision-making.

(Boudreau, Lawler, 2009) have presented a strong case concerning HR's contribution in form of providing recruitment, developing them to fit certain roles to lead and perform, organizing and managing them in order to support optimum organizational performance. This has been validated as well by (Huselid, 1995; Lawler, Mohrman, Sc Benson, 2001; Combs, Yoimgmei, Hall, & Ketchen, 2006).

(Boudreau, Lawler, 2009) undertook an interesting debate that, just calling HR a Strategic Partner and actually understanding the competencies required and mobilization needed to actual execute that role are two different things. Considerable amount of empirical research was done by (Boudreau, Lawler, 2009) to understand the Strategic Role of HR in large US corporation by conducting certain surveys every three to capture the evolution if there was any which they have presented in their study.

2. HR's Strategic Role and Activities

(Boudreau, Lawler, 2009) have emphasized in their study and research that objective was not only to identify HR role in strategy activities, decision making, role in mergers and acquisitions but also to identify certain elements of HR operations that pose opportunity for them to use it for Strategic Leverage as a partner.

As per (Boudreau, Lawler, 2009) in their last four surveys they conducted they discovered that HR while it does have a Strategic Partner role in organizations but it varies and it is not to full extent. Their data indicated that in this decade of study HR did not make much progress in achieving a full strategic partner role. This was mainly seen as HR providing critical inputs for Strategy as required.

As discussed by (Boudreau, Lawler, 2009) that besides the above it was also concluded from results for survey that HR has a high role in strategy implementation planning such as activities related to Learning & Growth perspective of organization in line with its Balanced Scorecard which is based on its Strategy.

In addition, (Boudreau, Lawler, 2009) discussed opportunities for HR by citing an example

from IBM that HR has this niche understanding of human capital in organization and thus they can discover new opportunities to becoming revenue center from only a cost center by developing some outsourcing activities of talent pool for maximizing human asset utilization. (Boudreau, Lawler, 2009) research helped them establish the fact that there was a strong correlation in their results concerning HR having a strategic role and strategic activities they were involved in; but it is non-conclusive to ascertain that makes their role of Strategic partner is concrete or increasing over the years. As it is possible that as per (Boudreau, Lawler, 2009) strategy activities leads to HR having a deeper strategic partnership, or if HR organizations that are strong partners acquire the opportunity to engage in these activities. However, (Boudreau, Lawler, 2009) explains that incremental approach could conclude that HR organization shows it can do some of these activities, which leads to additional opportunities to act as a strategic partner. This in turn leads to opportunities to do more of the high-level strategy activities.

Furthermore, (Boudreau, Lawler, 2009) argues that if a case can be made regarding above strategic activities; that they affect the HR Strategic role then it is admissible to say that increasing these strategic activities would lead to understanding according to (Ulrich, Brockbank, Johnson, Sandholtz, & Younger, 2008), that HR has capability to understand, shape and influence the organizational strategy. However, (Boudreau, Lawler, 2009) have raised a valid point that having the capability and drive to contribute to role of Strategic Partner is not enough it also depends on the culture of organization and mindset of the leaders who would allow seamless integration of talent with strategy process (Boudreau & Ramstad, 2007; Eawler, 2008).

3.HR Organization

As per (Boudreau, Lawler, 2009) the way the HR department has been engineered in terms of its business processes, authority, placement, role on various committees decides further the depth of their role in Strategy. It is further discussed that in cases where it was noticed in research that HR organizations that had service teams which were decentralized, advanced information technology to handle knowledge transfer, performance management of employees, services to employees using intranet (IT), help desks tend to be more of a strategic partner. As per (Boudreau, Lawler, 2009) decentralization can help with other tactical strategies but maybe not directly to the strategic role of enterprise. However, having HR leaders positioned close to functional units helps to understand the competitive nature of these units and help in unlocking business opportunities.

Additionally, it was discovered by (Boudreau, Lawler, 2009) that increasing investing in HR competency level helps implementing the strategy. Due to this HR can have a direct impacting input due to organizational design changes. (Boudreau, Lawler, 2009) describe that resource efficiency is not associated with strategic activities as it can contribute to reduction in operating costs, however it does not in and of itself lead to the competencies, proximity and processes that connect HR to enterprise strategy.

As per research by Boudreau and Ramstad (2007) and Lawler(2008) results suggest that the extent of involvement of HR for strategy depends on proximity, capability and information. Such that HR strategy processes are appropriately timed and designed, so that they can have input to the broader strategy and planning processes of the organization.

4.Information Systems

Additionally, (Boudreau, Lawler, 2009) elaborates that though their study revealed that HR Organizations were not satisfied with the effectiveness of their IT systems relating to HR management its impact is not significant to their role as strategic partner. There are many possible reasons for the relative low effectiveness of HR information systems.

5.Metrics and Analytics

With reference to metrics and analytics (Boudreau, Lawler,2009) studied three categories of information and analytics that HR uses:efficiency, effectiveness and impact. Efficiency measures the relationship among resources that HR uses, and the pro-grams and practices that it creates.Effectiveness measures the relationship between HR pro-grams and their effects on those that receive them. Impact measures the relationship between the effects of HR programs and the pivotal elements of business success.

A complete measurement model should include elements of all three categories. Furthermore, strategy activities only the item reflecting the use of benchmarks fails to relate to HR's role and to any of the activities. This is in stark contrast to the other items, and suggests that benchmarking does not produce strategic insights - even if it is valuable for understanding the relative position of an organization.

We believe this means that HR leaders can make advances in their strategic role by enhancing any of the three measurement activities.It appears that there is value in a holistic approach to HR measurement in which Efficiency measures form a foundation for HR credibility;Effectiveness measures provide tangible evidence of results at the program level; and Impact provides a view of where results have their greatest effect (Cascio & Boudreau, 2008).

6.Decision Making

One of the ways that HR can add significant value is to improve decision making about human capital. HR can improve strategic decision making by providing unique insights about the connections between human capital and strategy, and by identifying the key leverage points where human capital contributes most to strategic success.

Another item that is highly correlated with the strategy activities is "HR leaders have a good understanding about where and why human capital makes the biggest difference in their business." This is different from simply connecting human capital and business outcomes. It relates to identifying where investments in human capital have the largest effects.Isolating the

"pivot points" (Boudreau & Ramstad, 2007) where improving talent and organization quality make the biggest difference to the business and the process informs choices about where to invest in human capital.

HR is at improving talent decisions, the more it is active in developing business strategy and the more likely it is a full partner in the business strategy process.

7.Skill Satisfaction

For HR to have a major role in business strategy, it needs to have the right skills. Highly correlated with HR's overall role in strategy are Business Partner Skills. Included in this scale are business understanding, strategic planning, organization design and cross-functional experience skills. It is hardly surprising that these skills are so strongly related to HR's role in strategy. They are all critical to the credibility and capability to engage in business decisions and to deliver organizational-level designs. It is consistent with the point that, to be a strategic partner, HR needs to understand the business as well as how to design organizations that fit the strategy.

Two other types of skills also are significantly related to HR's overall role in strategy. The most strongly correlated is Interpersonal Dynamics. This set of skills includes team skills, interpersonal skills and leadership and management skills. The most likely reason this skill set is so highly correlated with HR's role in strategy is that these skills are necessary for HR professionals to effectively relate to other executives in the strategy formulation and development process.

Managing Outsourcing is strongly related to only one strategic activity: assessing mergers, acquisitions and divestitures. One reason for this may be that outsourcing decisions regarding HR overlap with many of the elements required to manage cooperative relationships across an organization's boundaries. Thus the insights gained from Managing Outsourcing may well make HR a more valuable contributor to discussions concerning acquisitions, mergers and divestitures. That said, these insights do not appear to lead to a strong role in other activities, nor to a major role for HR in strategy.

8.What it Takes to be a Strategic Partner

The results present a clear picture of what is most strongly associated with HR's role as a strategic partner. Perhaps the most important finding is that HR plays a stronger role in strategy the more the function can connect human capital to strategy, and in particular identify where talent and organization design features make a strategic difference. This pattern emerges results for measurement, decision-making and skill sets. Some of the strongest associations with HR's strategic role are with its ability to provide unique strategy insights, educate on-HR leaders regarding their decisions about human resources, and articulate the logical connections between strategic success and the organization's ability to compete for and with talent.

When it comes to skill satisfaction the results argue for the importance of business-partner skills. Having business-partner skills is strongly related to HR's role in all of the strategy activities. Metric skills are also very important. Our findings show that many measurement elements are related to HR's strategic role. Measurement activities related to Efficiency, Effectiveness and Impact are all related to one or another element of HR's strategic role or strength in one or more strategy activities.

To be a strategic partner, the HR organization needs to develop its talent through rotation. It needs to use teams with specialized expertise. It needs to have leaders located in business units. And it needs to involve line management in HR decision-making. As far as metrics and analytics are concerned, HR needs to be able to measure the impact of HR programs and processes. For many specific strategy activities it is also helpful to measure HR costs and create HR dashboards.

When it comes to decision making, the key issue is being able to relate human capital to strategy and to show how it makes a difference. This result is hardly surprising because it is a unique and important contribution that HR can make to the strategy formulation and decision process. Yet it contrasts with a typical approach to strategic relevance, which is to demonstrate business knowledge or to deliver HR practices where they are regarded as most strategic by the leaders. Our results suggest instead that HR must build a deeper understanding about where and how human capital makes a strategic difference, and then educate leaders to understand those connections.

9. Conclusion

Overall, the road map for HR becoming more of a strategic partner seems clear both with respect to what it needs to do to be involved in a variety of strategic activities and to become a full strategic partner: HR needs to organize itself so that it has skills and expertise at the corporate level. It needs to have metrics and analytics that measure the impact of human capital practices and programs. It needs to improve decisions by bringing HR analysis and knowledge to them. Finally, it needs skill sets that involve organizational design, business strategy and metrics and analytics.

HR's mission, but to extend its paradigm to include measuring, understanding and communicating strategic talent connections. HR must improve the human capital decisions of leaders in all functions and at all organizational levels. It may be that establishing service teams offers an opportunity to concentrate resources on building a high level of functional expertise.

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Glossary

Appendix

Author

Note

Author is a Doctoral Provostial Fellow at University of Atlanta (www.uofa.edu) for the Doctor of Business Administration (DBA) Management Sciences Program. Additionally, he

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