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## Enabling Strategic HR: The way forward

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### **Abstract**

With nearly twenty years of hopeful rhetoric about becoming “strategic partners” with a “seat at the table” where the business decisions that matter are made and with a great deal of normative writing about the role HR should play the truth of the matter is most HR professionals aren't even close. The majority of HR executives remain, to all extent and purposes, neither strategic nor leaders.

Studies, books and Articles argue that HR needs to become a strategic partner (Ulrich, 1997; Brockbank, 1999; Lawler & Mohrman, 2000a). But there is relatively little evidence to suggest that HR is making any structural and competency changes it needs, to provide increasing value –added contributions to the business. A great deal has changed in the global business environment but has HR organization made the corresponding changes? Is HR becoming a strategic partner or not? What does becoming a strategic partner necessitate? And is the HR function more effectual when it is a strategic partner? The answers to these questions are decisive to the future development and direction of the HR function in organizations

In today's economic climate, smart companies agree people are their most important asset and one of their key competitive advantages as everything else may be replicated. However, as rapid globalization continues to impact the market, the talent market is becoming increasingly competitive. Forces have converged to support the idea of HR as more of a strategic partner. Corporations are undergoing dramatic changes with upcoming challenges of attracting and retaining the best talent, steadily improving people productivity and dealing with a diverse workforce in the midst of increasing globalization. Perhaps one the most important changes are the rapid deployment of information technology and the increasing amount of knowledge work that organizations do. Also increasingly important are the rapidly changing business environment and the increasing complexity of modern organizations. These and other changes have created a growing consensus that effective human capital management is critical to an

organization's success (Jackson, et al., 2003). As a result, more and more companies are striving to change the role of their Human Resource department from a passive compensation, benefits and compliance role to an entity which is a highly proactive partner initiating a leadership role in helping to frame the company's operating strategies to meet corporate objectives.

The paper on enabling strategic HR: the road ahead looks into the current state of strategic HR thereby suggesting changes as to how HR can make the transition? What is needed in order for HR to become more of a strategic partner? The paper discusses the various steps the companies can take to increase the strategic value-add of HR and the role HR organization and HR professionals may instill to become more of a strategic partner

## Introduction

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With nearly twenty years of hopeful rhetoric about becoming “strategic partners” with a “seat at the table” where the business decisions that matter are made and with a great deal of normative writing about the role HR should play the truth of the matter is most HR professionals aren't even close. The majority of HR executives remain, to all extent and purposes, neither strategic nor leaders.

So how does HR make the transition? What is needed in order for HR to become more of a strategic partner? The present paper focuses on these two areas as to what steps the companies can take to increase the strategic value-add of HR and what role the HR organization and HR professionals may instill to become more of a strategic partner.

### **Enabling Strategic HR**

Given the immense amount of attention to the need for HR to change its role in the organization and the amount of change in the business world there seems to have been no much change in the role of HR with regard to being a strategic partner in the early and late 2000 nor there seems to be any significant increase in the strategic partnering of HR (Lawler and Mohrman 2003). In order for HR to become strategic the organization needs to highlight the knowledge and the competency aspects of the business strategy. Most of the companies in the knowledge economy rely on the processing of knowledge by skilled knowledge workers – on development and utilization of human capital, while many do not explicitly identify their competitive reliance on these resources, nor think of their strategy as maximizing the value they can derive from knowledge. Here comes the role of HR. The HR function needs to make this reliance and this perspective obvious to line managers enabling HR's role for empowering strategic partnership.

The consensus seems to be that HR departments need to shift their focus from advising on how processes can be improved or technical program enhancements to addressing those people-related issues that truly impact the business. Through a mixed model of centralized and decentralized functions, the corporate HR has to be viewed as “Centers of Excellence,” while each Strategic Business Unit (SBU) may be assigned an HR

generalist reporting to the business unit manager (with a “dotted line” to the head of corporate HR). The generalist supporting the SBU having a strong understanding of the business or functional area is essential to be effective. (**Refer Figure one**)

Change is required both in the skills of individuals in the HR function and the way the HR function is organized and carries out its activities. HR not only needs to have competencies having to do with the business issues involved in strategy and strategy development, it needs to be able to contribute to organizational design and change management. As far as its own organization is concerned, it needs to be structured to carry out the basic administrative functions as well as being a strategic partner. HR is not in a position to abandon completely the basic transaction responsibilities associated with workforce management. Somehow, either through outsourcing or information technology, these responsibilities needs to be fulfilled in an effective and cost-efficient manner. The HR function also has to be structured and staffed so that it participates in decisions concerning strategy development, strategy implementation, change management, and organizational effectiveness.

The HR organization must lead change, create a shared need, shape a vision, inspire commitment, build enabling systems, monitor and demonstrate progress, and make all of this sustainable. Change management happens to be a strange paradox and a relevant question .HR's role in change readiness may be elaborated through the example of how the nature of work has changed drastically. Earlier the salaries were talked about in thousands and lakhs but post 2000 it is in crores or even greater than that. One of the effective ways to handle change would be through recruiting people who are comfortable with change, also HR needs to create a culture where people are free to experiment.

Information technology may be able to free up HR from some of its routine tasks, and certainly HR is making greater use of information technology. It is not clear, however, that HR is becoming more of a strategic partner. Information technology offers the potential for HR to take advantage of databases and powerful analytic tools to determine how useful HR policies and practices are and to contribute in the understanding of what

business strategies can be executed. But the question remains unanswered as to whether the HR function is capable of identifying and implementing the changes required supporting the new roles and capabilities that their businesses need.

### **Increasing the Strategic value-add of HR**

A number of studies have investigated the possibility for the HR function to be a strategic partner and found that it can be a value-added function. For example, work by Becker and Huselid (1998) found a association between HR practices and firm performance. Firms with the greatest amount of HR practices that strengthen performance had the highest market value per employee. They argue that HR practices are significant in determining the market value of corporations, and that improvement in HR practices can lead to significant increases in market value. They conclude that the best firms are able to achieve both operational and strategic excellence in their HR systems and functions.

Perhaps the major supporter of HR as a business partner is Dave Ulrich (see, for example, Ulrich, 1997). He has argued that the HR function needs to become strategically proactive, that HR needs to go beyond administrative expertise and be an expert in strategic business partnership, change management, and employee advocacy. Wright, et al. (1999) argue much the same thing in their HRPS-supported report in which they found a growing consensus in support of Ulrich's model, but HR was not seen as able to execute on this model

Coming back to the issue as to whether HR is a strategic partner or not? The query may find an answer by looking into the detail as to the amount of time HR spends on various activity .To function as a strategic partner HR must go beyond delivering services, maintaining records, and auditing. The HR organization must be a member in the management team spending time on strategic planning making contribution to organizational design, strategy development and strategic change. As per the study conducted by Mohrman, Susan A., September 2003 there is plenty of room for development with respect to HR's role as a strategic business partner.

### **The How and Why of HR as a strategic partner**

HR's greatest opportunity to add value may be to play a role in the development and implementation of corporate strategy. HR can make a logical case for being an important part of strategy development, because of the importance of human capital in the ability of the firm to carry out its strategy. Increasingly, talent limitations and limited organizational flexibility in the application of scarce talent to various opportunities constrain the strategic options of the firm (Mohrman, et al., 1998). At least in theory, this should mean HR can play an important role in the formulation of strategy by making explicit the human capital resources required to support various strategies and strategic initiatives, by playing a leadership role in helping the organization develop the necessary capabilities to enact the strategy, and by playing a strong role in implementation and change management

Hence it becomes vital that members develop strong consulting skills in this upcoming model of HR organization with HR generalists, who function as consultants, understanding and appreciating the mind-set of being a strategic partner with their SBU. In addition, as “consultants,” they must develop “employee relations” skills to not just define problems, but to work with teams to solve them. Eventually Corporate HR becomes a site for “Centers of Excellence” containing the shared services of Compensation, Benefits, and Organization Development (which has a much expanded role). The firm may set up a “virtual” HR area to handle interactive benefits administration (by dial-in, lobby kiosks, Intranet, or Internet) to save time and provide faster service.

In order to play an integral part in the overall organizational strategy, HR must lead change, create a shared need, shape a vision, inspire commitment, build enabling systems, monitor and demonstrate progress, and make all of this sustainable.

Strategies, like mergers, fail not because of poor thinking, but because of poor execution. Implementation failures usually involve the failure to acknowledge and build the needed skills and organizational capabilities, to gain support of the workforce, and to support the organizational changes and learning required to behave in new ways (Tenkasi, et al., 1998). Since the late 1990s, M&A deals in Asia have grown considerably in sophistication and complexity, and an increasing number of companies are realizing that people-related issues such as cultural adaptability and an understanding of local HR policies and practices have a strong impact on the long-term success of many deals. Underestimating or failing to address basic HR challenges that arise during due diligence on any merger or acquisition leaves companies vulnerable to legal non-compliance, exposed to potentially large hidden costs and undeclared expenditures, and at huge risk of losing key employees. In short, execution failures are often the result of poor human capital management. This opens the door for HR to add important value if it can deliver change strategies, plans, and thinking that catalyze in the development and execution of business strategy.

### **Conclusion**

Despite compelling arguments supporting the view that HR management is the key strategic issue in most organizations, HR executives historically have not been strategic partners (Lawler, 1995; Brockbank, 1999; Mohrman & Lawler, 2000a). The HR function has been an administrative function headed by individuals whose roles are largely focused on cost control and administrative activities (Ulrich, 1997).

Staff functions, in general, are under fire in organizations these days because they are frequently perceived as controlling rather than adding value, and as not responding to operating units' demands for change. They are being asked to change to provide expert support to the strategic initiatives of the company, and to take advantage of technology and other approaches to deliver more efficient and responsive services.

HR today is expected to not only comprehend but also conceptualize; not only create but also innovate, not only implement but also sustain relevant strategies and contribute



effectively to giving a corporation its winning edge. It should provide the right combination of transactional services and high level strategic input. It needs to bring together the right combination of knowledge through teams and the rotation of people to address complex human issues.

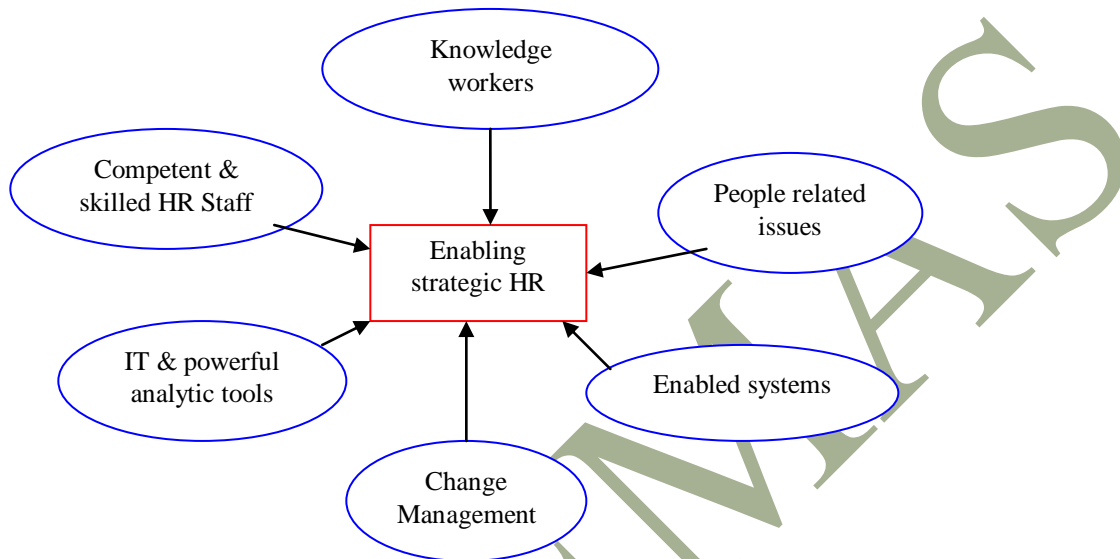
Some still consider HR to be a support function. But there are others who actually dare to dream that there could be room for it to evolve and acquire a more strategic role. With functions like recruitment and payroll taking a backseat to more demanding functions like employer branding, talent grooming and succession planning. This dream could actually come true. As for getting a seat at the table, only time will tell how well professionals in this function manage to administer their new roles. But there is no doubt that those involved in the people management must show tangible results just like any other units like sales or marketing. For this to be the case, HR heads and managers must have thorough knowledge of the business and must come up with ways to show monetary and non monetary results that add to the bottom-line.

HR must empower employees, investing a sense of ownership in them, recognizing their ideas, and making them feel they are important to the organization. In order to do this they must transform managers into the face of the company, enabling them to make HR decisions within a prescribed policy framework. HR should obviously be available for feedback and to help resolve issues, but without empowering employees and managers, HR will remain stuck in the quagmire of process and policy.

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**Figure one: Factors enabling strategic HR**

### **Bibliographical Sketch (Dr. Manju Nair)**

Prof. Manju Nair, Principal, International School of Informatics & Management, Jaipur, has over 14 years of experience in Management Education & Industry including Consultancy, Administration and Research. She also serves as Coordinator, IGNOU and is the Editor in Chief, for the Institute journal OORJA, ISSN: 0974-7869, International Journal of Management & IT published quarterly.

She has made valuable contribution in Management education. Her farsighted leadership, commitment to work, penchant for perfection, high concern for students and the breadth of vision has elevated the institution to a Center of Excellence. In addition to many Consultancy and Research projects with the Rajasthan Chamber of Commerce & Industry and Swiss Development Corporation, New Delhi, she has over 25 publications in National and International Journals & conferences. She has also been associated as a trainer with many corporate institutions in Jaipur. She is an approved Research Guide and has candidates pursuing Research work in OD, IR and HR under her Guidance.