

HR's Split Personality

By Scott Brooks, Ph.D., Kenexa and Anne E. Herman, Ph.D., Kenexa Research Institute

HR has been making great strides to strategically align itself as a business partner in order to increase its impact. Being strategic means designing and operating HR programs and initiatives with the goal of making a direct contribution toward meeting overarching business objectives. Rather than reacting to HR "issues" or simply processing HR "transactions," a strategic focus means addressing business problems. It is less about controlling the HR budget and more about contributing to top and bottom line growth. The words "strategic" and "business partner" are universally used and accepted as positive descriptors.

Yet there is a fundamental and underappreciated barrier. In our pursuit to become more strategic, we often gloss over the undeniable truth that HR has been simultaneously working exceedingly hard to streamline costs, to systematize processes and to benchmark (i.e., copy) practices of other successful organizations. Organizations are under tremendous pressure to do more with less—the concepts of employee self-service and "Total HR Outsourcing" promise efficiency and cost savings. But when does the "total" include strategic contribution to an organization's unique path to success?

In fact, this is a paradox. On the one hand, HR is trying to maximize efficiency and sameness. On the other, success is defined by a unique fit to business problems delivered with high-touch thought leadership. Strategic HR demands a unique fit of human capital development to maximize an organization's ability to achieve its vision. And for all but the most isolated non-profit organizations, that means maximizing an organization's ability to differentiate itself and to compete for customers and for dollars. In other words, being strategic requires being unique.

The chart below highlights core differences between HR's transactional and strategic work. It also highlights a fundamental question: *Within the same function, how can we maximize the performance both of a commodity/transactional business as well as of strategic consulting services?*

The resolution to this paradox, like playing a game of chess, is both simple and hard: live with duality and admit that only part of HR is becoming more strategic. The other part is becoming more streamlined. Our task, therefore, is to manage this split personality, with one personality embracing streamlined internally-focused

Figure 1: HR's Split Personality—Opposing Tensions

Defense Internal/Transactional	Offense External/Strategic
<p>Defense: Cost Control</p> <ul style="list-style-type: none"> • Drive to efficiency • Self service transactions • HR benchmarking focus • Heavy systemization, technological leverage • Easily outsourced activities • Order-taker, reflexive responder 	<p>Offense: Strategic Business Partner</p> <ul style="list-style-type: none"> • Drive to impact • Internal customer intimacy • Unique strategic focus • Heavy consultative leverage • Demand for deep organizational understanding • Proactive teacher/advisor
<p>Demand for Nuts & Bolts Staffing Two things HR must do: hire and pay (until done, HR cannot focus on anything else)</p>	<p>Importance of Human Capital Competitive edge as "culture," knowledge workers</p>
<p>Pressure for Basic Employee Relations</p> <ul style="list-style-type: none"> • Diversity in workforce • Global employees • Start efforts with HR issues 	<p>Pressure for Marketplace</p> <ul style="list-style-type: none"> • Diverse marketplace • Global customers • Start efforts with business outcomes

mechanics and basic employee relations, and the other maximizing the value of human capital, and pursuing a more visionary and perhaps externally-based vision.

We need to play offense (to provide strategic value) and defense (to provide streamlined, transactional services).

John Boudreau and Pete Ramstad, comparing human resources to the comparatively “older” organizational functions that deal with money, have drawn an elegant parallel. The machinery or transactional duties of HR compare to the profession of accounting, data collection and management. The strategic arm of HR matches the decision science of finance, creation of value based on accounting input. Boudreau and Ramstad postulate, in fact, that HR will split into two departments, the profession and the decision science. Perhaps. In the meantime, however, we are left with muddling through.

Acknowledging the split personality of HR can provide guidance:

- Understand how you win...offense, defense or a mix of both. At least a fundamental defense is required—without it, you will lose. If no one is hired or paid, organizations cannot function. But, HR does not earn its place in organizational power circles without playing offense and effectively contributing to strategy.
- Do not pretend that the criteria for a good defense (e.g., cost control) can apply to an outstanding offense. For example, cost control is a common measure of transactional (defense) performance, whereas human capital or organizational competency is a better measure of strategic capability (offense).
- Effective HR strategy must contain separate defense/commodity and offense/strategic components, woven together into one game plan.

In an elegant review, Richard Vosburgh outlines the evolution of HR over the last hundred years from “Labor Relations” of the early 1900s, through the “Personnel” of the mid-century, through the “Human

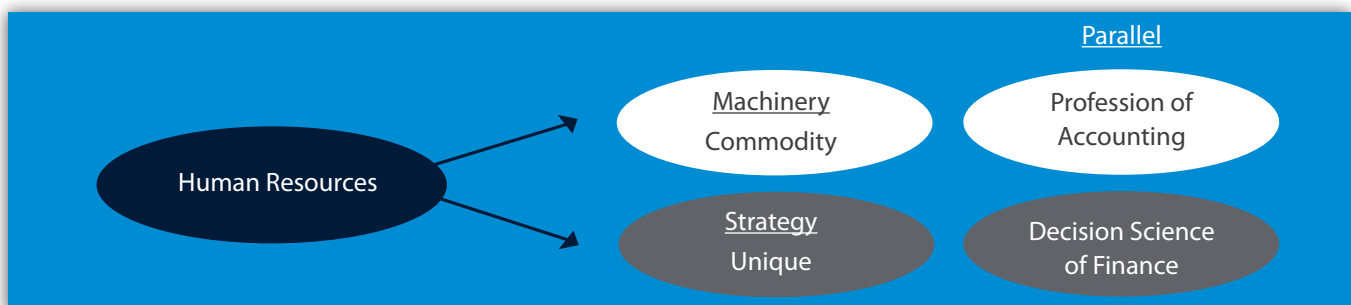
Resources” toward the turn of the century. Clearly, the transactional side of HR is older and more mature. And, the strategic decision science has not yet emerged. As Vosburgh says, “One cannot attend most HR conferences without smelling the inferiority complex inherent in the ‘how do we get a seat at the table’ kinds of topics.” When was the last time you heard a CFO express that same lament?

Clearly, and without diminishing transactional performance, HR organizations need to evolve to also become a resource for strategic insight. How can we provide our organizations with useful insights into enhancing effectiveness? Cheap data abound, but invaluable insights are rare. We need to spend as much time and effort on leveraging insights as we did on gathering the information in the first place.

Fortunately—or perhaps depressingly—HR is by no means alone in its quest to manage its own split personality. Lessons from the successes of other disciplines can be highly instructive. Among tech circles, O’Reilly and Tushman’s concept of organizational ambidexterity has found a home. In this case, “ambidexterity” refers to the simultaneous management of a mature and perhaps commodity business (e.g., home-delivered newspaper), and nurturing of the innovations that define the future (e.g., online media). Among O’Reilly and Tushman’s conclusions are:

- Ambidextrous organizations need ambidextrous senior teams and managers—executives who have the ability to understand and be sensitive to the needs of very different kinds of businesses, those who combine the attributes of rigorous cost cutters and free-thinking entrepreneurs while maintaining the objectivity required to make difficult trade-offs.
- The senior team must be committed to operating ambidextrously even if its members aren’t ambidextrous themselves.
- A clear and compelling vision, relentlessly communicated by a company’s senior team, is crucial in building ambidextrous designs.

Figure 2: Current Duality of Human Resources



- Maintain a structural separation of existing businesses (akin to HR's transactional duties) and emerging businesses (akin to strategic consulting).

While the fit to HR struggles is not perfect, O'Reilly and Tushman's advice rings strikingly appropriate.

Managing a function that pursues the right blend of efficient operations with strategic value creation is difficult, to be sure. Even managing significant HR projects—like employee surveys—can highlight the struggle of cost control, transactional work with creative insights and customer intimacy. In a beautiful irony, however, engaging in that struggle makes us better managers, better leaders and better able to understand and contribute to our organizations' strategic pursuits. ■

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About the Author

Scott Brooks, Ph.D.

Scott M. Brooks, Ph.D., is the director of the Consulting Center of Excellence for Kenexa's Global Survey Practice. He is responsible for leading Kenexa's world-class consulting function to become the world's best data-based management and human capital advisors. Working with consultants worldwide, his focus is to help Kenexa's clients drive performance through listening and responding to the views of its employees and customers. Dr. Brooks has nearly 20 years of consulting experience, working with clients such as Caterpillar, Gap, Kaiser Permanente, MGM Mirage, Starbucks and Wells Fargo. Much of his consulting and research work has focused on leveraging human capital metrics to drive customer satisfaction and business results. Prior to Kenexa, he worked for 12 years at Gantz Wiley Research, most recently as General Manager of the West Coast Region. He also worked in organizational development for Mervyns, formerly a division of Target, Inc.

Dr. Brooks has presented and authored numerous presentations and publications based on strategic human resources, linkage research, surveys and other job attitude and measurement topics. He frequently speaks at national conferences and company meetings. Dr. Brooks holds a Ph.D. in industrial and organizational psychology from The Ohio State University and a Bachelor of Arts from Cornell University.

Anne E. Herman, Ph.D.

Anne E. Herman, Ph.D., serves as a research consultant for the Kenexa Research Institute. Dr. Herman worked previously for two years as a research consultant for Kenexa's survey team. She has extensive consulting experience in performance management, organizational assessment and change, creativity and innovation, employee selection and promotion, organizational strategy, program evaluation and statistical methodology. Her research interests include problem solving and decision making, creativity and innovation, leadership, organizational motivation, survey design and program effectiveness. Dr. Herman has spoken at many conferences and her research has appeared in several publications. She has taught graduate and undergraduate courses in leadership, business strategy, organizational behavior and behavioral statistics.

Dr. Herman is a member of the Society for Industrial and Organizational Psychology, Academy of Management, American Psychological Association and the Organization Development Network. She holds a Master of Arts degree in psychology and a Doctorate in industrial and organizational psychology from the University of Nebraska-Lincoln.

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866.391.9557