Are we there yet? What's next for HR?

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ARTICLE INFO

ABSTRACT

Over the last three decades, the practice of HR has experienced significant transformation. This has included HR moving from being a lower level, administrative and maintenance oriented function to operating in many organizations as a core business function and a strategic business partner. Because of dramatic changes that have occurred in HR, the question arises whether HR has arrived at its final destination or whether the journey will continue and if so, what is next for HR? In setting the stage to discuss the future of HR, we briefly describe the journey HR has traveled thus far since its emergence as a field. We characterize HR's journey as having a singular direction and that is to add value to the organization. To continue in this direction we propose that future HR will need to adopt an outside/inside approach where the external environment and stakeholders influence what HR does inside the organization. From this, we discuss other specific actions HR will need, in order to add value, with respect to targets for HR work (individual, organizational, and leadership) and areas for HR investments (HR function, HR practices, HR people, and HR analytics). We present a number of propositions on these that can be used by researchers and practitioners in guiding future research and practice.

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Anyone who has been on a trip with a child has heard the endless question, "Are we there yet?" At first, the question captures the excitement of the child anticipating a new place. After awhile, the questioning becomes exasperating and only adds to the length of the journey. Many in HR seem to be asking the same question, "Are we there?" Too often, too many in HR seek but never seem to arrive at their destination. Professional conferences continue to lament HR more as an administrative service or compliance function than business partner. Sometimes these lamentations only lengthen the journey to HR credibility. Maybe HR's aspiration for the future is less a specific destination that pinpoints when we have arrived and more a direction for aspiring HR professionals to help their organizations succeed. The field of HR and most HR professionals have made significant progress in the last few decades as a core business function, for contribution to business success, and with professional stature. But, the journey ahead continues with the direction of delivering and creating value more than having a single point-in-time destination where HR manages an event or process. Thus, the future for HR begins with a directional mega-message: HR should add value. To show HR's past and future value, we will review the emergence HR and then propose the future of HR for increased and sustainable value.

1. Emergence of HR

The emergence of HR as a function within organizations was in response to economic development and industrial change. The purpose of HR as it began in the early 20th century was to address organizational challenges and to add value through effectively managing and rationalizing the employment relationship. HR evolved in response to factors associated with the industrial revolution, the

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emergence of the corporation and organizational structures, and organizational challenges to lower employee turnover and raise productivity. In spite of organizational growth and technological changes up through the first decade of the 20th century manufacturing economy, there was not a similar development in general and human resource management practices. Management characterizing most American industry through the early years of the twentieth century was described as unplanned, haphazard, and inefficient (Lescohier, 1935).

1.1. Early contributors

Toward the end of the 19th century, professional engineers emerged as the leading designers of production processes and from among their ranks arose some who also introduced dramatic changes, under the banner of efficiency, to management (Braverman, 1974). Their purpose was to add value through improving the collaboration of workers and machines and by addressing turnover and productivity problems. Foremost among these was Frederick W. Taylor, who has been credited as the father of scientific management (SM) and the most influential management theorist of the 20th century (Drucker, 1955). Taylor began by studying how jobs could be performed more efficiently by timing the tasks, in an effort to discover the "one best way" and the fastest time a worker could perform a particular task (Gilbreth, 1912, p. 50).

Along with Taylor, Frank and Lillian Gilbreth, industrial psychologists, also were primary contributors to SM. While Taylor's focus was on using the stopwatch to time work and reduce process time, Frank and Lillian Gilbreth, contributed to SM by using motion studies to study jobs and reduce the motions involved. Thus, SM contributed to HR through originating and introducing job analysis to management practice. Job analysis represents a foundational HR administrative activity that provides input into most other HR administrative functions. Second, SM demonstrated that the output from job analysis could be used as the basis to select and train workers and as the basis for evaluating jobs for compensation (Drucker, 1977). Third, SM argued that workers should be rewarded on the basis of their productivity, doing so would increase productivity and decrease turnover, and thereby promoted the use of performance-based pay. Fourth, SM highlighted the need for trained or specialized managers for different business functions (Nelson, 1980). SM represented a new attitude toward the practice of management and Taylor's and the Gilbreth's work contributed greatly to the formalization and specialization of general management and the HR function (Drucker, 1977).

1.2. HR's emergence as personnel management

World War I provided conditions that resulted in a widespread recognition by businesses of their need for HR, and the emergence of the field as a profession. In 1914 a widespread labor shortage began, especially for skilled workers, that resulted from restricted immigration and workers being drawn into the war industries and military service. As a result, U.S. industry had to deal with a long running turnover problem that had, since the turn of the century, been mitigated by an over-supply of immigrant workers. Second, a rapid rise in wages and an increased in demand for wartime production, created a need for employers to more efficiently utilize the workers that they were able to secure (Kochan & Cappelli, 1984).

Businesses responded to the labor shortage, turnover, and productivity challenges by establishing personnel departments between 1915 and 1920 to centralize employment related activities and to oversee employee related practices such as SM (Jacoby, 1985). In addition to widely adopting SM, organizations also began to adopt other practices based on industrial psychology (including the use of employment tests to more efficiently select and place employees based on their abilities) and to implement programs to improve the welfare of their employees. All these employment-related activities, directed toward meeting business needs, became the responsibility of HR. Consequently, when HR emerged as a field and profession it had an *inside/outside* approach with the objective of supporting the business, contributing to business results, and adding value.

1.3. HR's maintenance mode

While HR was enthusiastically received and established throughout industries during and after WWI, during the depression HR fell in importance because of economic conditions (Watson, 1977). This setback was temporary and with the passage of the Wagner Act in 1935 and rising challenges from unions, employers again looked to HR. Attention shifted from an emphasis on PM to industrial relations (IR) activities. Between 1935 through the 1970s, a priority of HR was on dealing with unions and the IR side of HR rose in prominence. In contrast, activities related to the PM side of HR came to be viewed as lower level, administrative, maintenance oriented, and as not adding value to the organization (Burack & Smith, 1982).

During the postwar economic boom that lasted up into the 1970s, both the PM and IR sides of HR generally operated in maintenance mode and in an insulated environment characterized by stability that experienced few exogenous shocks. Further, organizations had rationalized the employment relationship using internal labor markets (ILMs), and this simplified PM activities (Baron, Jennings, & Dobbin, 1988). ILMs are characterized by a focus on staffing primarily at entry levels, well defined career tracks and seniority systems, job security, long-term employment, compensation systems based on internal equity, and promotion from within (Dulebohn & Werling, 2007). Consequently, during this time HR lost its *inside/outside* approach and direction of adding-value (that it had when first emerging as a profession) and adopted an *inside-only* approach with little concern for business activity, strategy, or the external environment. While HR was viewed as a necessary function that focused on administrative activities and cost control, it was not viewed as adding value to the organization (cf., Ulrich, 1997).

2. Transformation of HR

Beginning in the 1980s, HR began to experience a transformation from being an administrative maintenance function to being viewed as a core business function that could contribute to organizational effectiveness. The convergence of a number of environmental and organizational factors served as impetuses behind dramatic shifts in perceptions and roles of HR. Factors included globalization and international competition, de-regulation, employment legislation, decreased unionization, demographic changes, and the shift from manufacturing to a knowledge and service-based economy. The transformation of HR was conveyed by the widespread adoption of the use of the term human resource management or human resources (HR) in place of PM. While PM implied employees as expenses, HR conveyed the view of employees as resources to be managed with other organizational resources (Mahoney & Deckop, 1986). Second, PM signified a group of discrete, reactive, and passive activities that are secondary to the other major business functions; HR indicated a proactive approach, an integration of human resource activities, and an enhancement and expansion of the function, position, and importance of HR within the organization (Prewitt, 1982).

2.1. Administrative wave of HR

The transformation of HR has been characterized by three general waves (see Fig. 1). Because of the administrative legacy of PM, we label the first wave of HR transformation the *Administrative wave of HR*. This wave is characterized by HR continuing traditional administrative functions, delivering HR services, and working on regulatory compliance. This wave includes an elevation in importance of the HR function (distinct from the previous maintenance mode) to being viewed as more of a core business function, an integrative and proactive approach of the activities with the function, a pushing down of HR responsibilities to line management, efforts to increase the administrative efficiency of HR.

2.2. HR practices wave

The second wave is the *HR practices wave* and this refers to the design of innovative HR practices in people (hiring, training, career management), compensation or rewards, communication, and organization (policies, organization design, work processes). In this wave, HR designs and delivers innovative HR practices. An example would be using separate approaches to recruit for different positions and relevant labor markets in order to meet workforce planning goals. A requisite for this wave is a change in skills of HR staff to operate as competent HR professionals, rather than lower level PM administrators, with the skills to customize HR practices to address different organizational needs.

2.3. HR strategy wave

The third wave is the *HR strategy wave*. HR strategy refers to the HR practices being aligned to the business strategy. Strategy becomes a mirror which sets the criteria of HR practices. The HR strategy wave is characterized by the connection of HR practices to business success through strategic HR. Consequently, HR extends its role beyond simply doing administrative activities or designing HR practices to solving business problems and participating in executing and possibility developing business strategy to achieve business objectives and to add value.

Three categories of involvement can exist between HR and business strategy (Lawler & Mohrman, 2003). The first is *implementation only* that represents the minimal level of strategic involvement. Here HR responds to the business strategy after it has been formulated and HR aligns its practices to be consistent with, and contribute to, the accomplishment of the strategy. The second is *input*
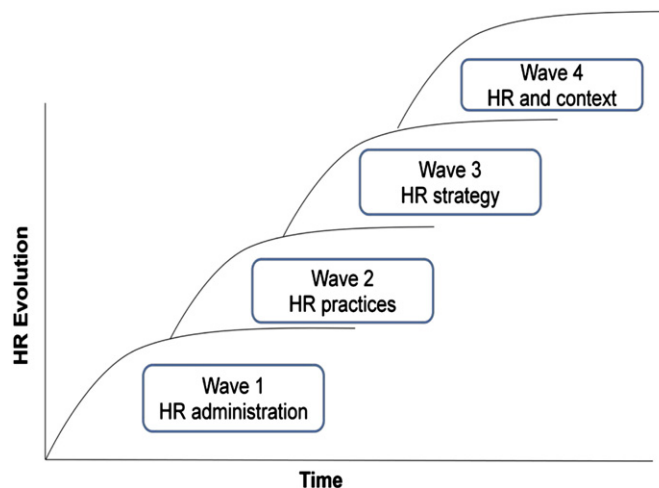

Fig. 1. HR's transformation waves.

and implementation and this involves HR playing an indirect role in strategy development by providing information (e.g., competitive intelligence on labor markets) to the strategic planning executive team who formulate strategy. Following, HR implements the resulting business strategy through its functional strategy. The third is a *full partnership* role. This is characterized by HR fully partic-ipating as a member of the strategic planning executive team in strategy development and strategy implementation.

Many responses by HR practitioners to the question, "What is your biggest HR challenge?" target Waves 1 and 2 (Fig. 1): the Ad-ministrative and HR practices waves. HR professionals are consumed with the hurdles they immediately face in doing the HR work itself. These are legitimate and relevant concerns. In recent conversations, a number of senior HR executives have shared that HR has forgotten these basics and without doing the basics well, the aspirations of business contributions remain unrealized dreams.

To move HR further forward beyond Waves 1 and 2 we advocate a simple two word question: "so that?" The "so that" question pushes HR professionals to see the outcome of their work, not just the work itself. An example would be an HR leader saying: "My challenge is to build credibility with my line managers so that we can make better investments that help the business reach its goals." This *value-adding* perspective of focusing on the outcome of work was similar to that held by the early HR professionals who implemented SM and PM practices, in order to help the organization achieve its objectives of increasing productivity and lower-ing turnover. This perspective of an HR leader moving the HR function forward in order to ultimately impact business goals also rep-resents an *inside–out* perspective and a move to Wave 3.

3. Future HR: an outside/inside approach

But the destination of HR does not end with HR experiencing Wave 3 and playing one of the three roles with business strategy. There is a second "so that" question that can move HR from connecting HR to the business (Wave 3) to connecting HR to the broader business context in which business operates (Wave 4). An example of this is an HR leader saying: "My challenge is to build credibility with my line managers so that we can make better investments that help the business reach its goals so that we can anticipate and respond to external business conditions and deliver value to customers and investors."

By doing the two "so that" queries, HR professionals shift from an *inside/outside* to an *outside/inside* approach to HR work. HR from the *outside/inside* represents a seismic shift in how HR thinks and acts, and represents an advance beyond an *inside/outside* approach. As noted, when HR emerged as a profession it had an *inside/out* approach which it began to return to in the 1980s after pursuing an *inside only*. Thus, we are proposing that future HR needs to progress beyond the inside/outside approach, it has had.

Under the outside/inside approach, HR no longer creates value by just serving employees, redesigning HR practices or making them more efficient. However, HR creates value by making sure that services HR offers inside the company align to expectations out-side the company. For example, we want to be the employer of choice of employees our customers would choose. We want to build on our strengths that will strengthen others. Every HR practice can be further transformed by seeing the value that it creates for those outside the company. This positions HR to not just respond to strategy, but to more fully help shape and create it and thus able to more fully participate in a full partnership role. It moves HR from the inside/outside approach with a focus on HR reacting to organi-zational challenges to more fully participating in strategy development and adding value.

4. Getting from here to there: Wave 3 to Wave 4

The question naturally arises, "How does HR move forward to approach HR from the outside/inside with the objective of adding value to the organization?" Table 1 presents HR's current and future focus and three major issues that have to be addressed to move to an outside/inside approach and add value in the future. First is HR's relationship to the business which involves two compo-nents: the business context which shapes decision-making and specific stakeholders around whom business strategies are created.

Table 1
Overview of what's next for HR.

	HR's approach	
	Current: inside/outside	Future: outside/inside
HR's focus	Administrative efficiency Redesign HR practices Link HR to strategy	Use HR to create value inside with employees and organizations and Outside with customers, investors, and communities
HR's relationship to the business	Use HR to drive internal efficiency	Understand business context Define HR value outside/in, through eyes of customers and investors
HR's targets or outcomes	HR builds talent and improves employee results	Increase employee productivity (competence ∗ commitment ∗ contribution) Improve organization capabilities (culture or processes) Ensure leadership as a brand throughout the organization
Domains for HR investments	*Restructure HR function*: Seek the latest HR structural fad	Build HR departments as if they are a professional service organization within their organization
	Reengineer HR practices: Seek best practices Offer piecemeal HR solutions	Offer aligned, integrated, and innovate HR practices around people, performance, information, and work
	Upgrade HR professionals: ad hoc investment in HR careers	Ensure that HR professionals have the right competencies to deliver value and have an outside/inside approach
	Track or measure HR progress: Measure what is easy and often activity based	Create HR analytics focused on the right issues; HR skills to understand how to use metrics to support decision-making

Second, are three targets or outcomes HR needs to have for its work: individuals, organizational, and leadership. Third, are the domains for HR investments or specifically where resources need to be targeted to make the above happen. In the following we will propose, "What's next?" in each of these three key areas.

4.1. HR's relationship to the business: business context and stakeholders

Defining value with an outside/in approach starts when HR professionals understand their business context and key stakeholders. Frequently, enterprising entrepreneurs seek advice about their businesses. Inevitably, they are excited about their new product or service. They have often invested much of their personal wealth and energy to design and deliver their product. We almost always respond with two simple questions: [1] what are the general problems you are trying to solve, and [2] who are your targeted customers who will buy your products or services? Too often entrepreneurs cannot completely answer these questions because they are so excited by their product that they are blinded to external realities. The same often could be said of HR professionals. Specifically, HR needs to approach work from the outside/in and deliver value by understanding the business context for their organization and by identifying and serving specific stakeholders.

4.1.1. Business context factors

In a coaching session, a senior business leader with responsibility for over 100 countries asked one of the authors how to better understand the context for how his business operated in each of these countries. He knew that local leaders had both insights and accountability for work in their country, but he felt a responsibility to help them by understanding the context in which they did business. A framework that captures the business context that he could pay attention to in each country would include the following categories[2]

• Social trends: social issues in a country like health care, lifestyle, and family patterns;
• Technological trends: this would include things like access and use of internet;
• Economic trends: this would include inflation, recession, key industries, and labor markets;
• Political trends: this would include issues like elections, regulatory requirements, and political stability;
• Environmental trends: this would include the emphasis around sustainability;
• Demographic trends: these trends would include age, education, race, gender, income issues.

When leaders have a working knowledge of these situationally specific categories or factors, they can oversee and guide decisions that affect that market.

Likewise, HR professionals should be aware of not only how these external business factors affect how their organizations work, but also the nature of HR work and how that work will be done. Social trends may affect what makes an effective employee value proposition. Technological trends may affect the extent to which work can be done in remote sites. Economic trends may affect opportunities for investment and growth of products and talent. Political trends may affect the regulatory and compliance obligations for a company. Environmental trends may shape the social responsibility initiatives that help attract talent. Demographic trends may affect where to source talent (e.g., if there are limited demographics, it may help to build relationships with immigrant groups). In the future, HR professionals should be conversant with these general business conditions in a global context so that they can anticipate what might happen next to their industry and organization and prepare to respond accordingly.

4.1.2. Stakeholders

A second component of HR's relationship to the business is stakeholders. Within a business context, stakeholders have specific relationships with an organization and either affect or are affected by the organization. Traditionally HR has primarily focused on internal stakeholders (employees and line managers) and the government as an external stakeholder, in terms of compliance. Based on the inside/outside perspective, HR investments should enhance both employee productivity and line manager's ability to deliver on strategy. But, in line with the outside/inside focus, HR also should be aligned with external stakeholders who receive value from HR work and should influence the work that HR does.

Fig. 2 lays out five key stakeholders, including three external stakeholders. First, with respect to customers, investments in HR should increase customer engagement. When HR practices are aligned around customer expectations, those practices increase customer connection to the firm. This is accomplished, for example, by enlisting customers to help with sourcing talent by participating in setting criteria for who is hired, by offering referrals on who might be interviewed, and by participating in some of the interviews. Further, customers may be involved in determining what training to offer to employees that serve them, by attending training courses as participants, or by teaching some of the training sessions.

Second, investments in HR can also increase investor confidence in the firm's ability to deliver on future promises. With about 50% of a publicly traded firm's market value tied to intangibles, HR work can center on delivering a return on intangibles that comes when promises are kept, strategies are clearly articulated, organizations have core competencies or technical ability to deliver on strategies, and organizations have capabilities that ensure long term success. HR professionals can architect the intangible value that investors receive based on their gaining an understanding of what investors desire and expect.

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[2] The ideas are drawn from Lynda Gratton's insights and work. Her work can be found at: http://lyndagrattonfutureofwork.typepad.com/ .
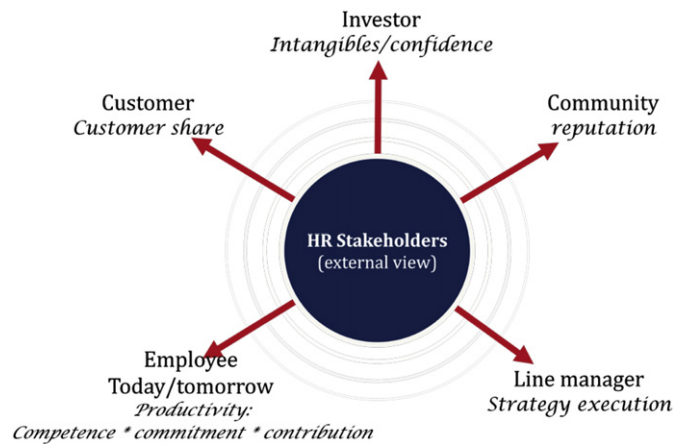
Fig. 2. HR and five key stakeholders.

Third, investments in HR also increase a firm's reputation within the community. HR can participate in social responsibility agendas by helping manage the company's philanthropy and community service activities, by being disciplined about the carbon footprint of the company, promoting ethical behavior, and by creating employee policies that promote positive work/life balance. HR policies and professionals may significantly shape an organization's reputation.

As HR professionals understand both the business context and relationships with key stakeholders, they change their conversations with business leaders. The conversation does not start with what HR is about, but with what the business is trying to accomplish. An HR professional who was clamoring to be invited to the strategic table and conversation finally got his wish and he attended the strategic meetings. In the first meeting the focus was on doing business in emerging markets and he was not sure what HR could contribute. In the second meeting the focus was on the economic condition of the organization and managing costs, and again he was silent waiting for an appropriate HR topic. In the third meeting, the focus was on product innovation for changing societal conditions, and he still waited to comment. He was not invited to the fourth meeting. Knowing the business context and key stakeholders would have facilitated his ability to engage in strategy conversations without waiting for a more explicit HR topic to come up.

This future outside/inside approach we are describing as part of the future of HR represents a further advancement in the transformation of HR. We are arguing that this approach will include a focus on business context and external stakeholders including customers, investors and community. Therefore we propose the following:

Proposition 1a. *An outside/inside perspective requires that HR focuses on the business context and external stakeholders including customers, investors, and community.*

Further, we expect that an outside/inside perspective will add value and enhance organizational performance. With this in mind, researchers should begin to investigate the relationship between HR perspectives (inside only, inside/outside, and outside/inside) and firm performance.

Proposition 1b. *An outside/inside perspective will be associated with higher firm performance (e.g., customer satisfaction) when compared to inside only and inside/outside perspectives.*

4.2. Three targets or outcomes of HR work: individual, organizational, and leadership

The second major issue that needs to be addressed to move to an outside/inside approach involves the targets or outcomes of HR work. This is related to the question regarding what unique contributions can HR make when they participate in strategy or business conversations?

Imagine the above HR professional who sat in the meetings on emerging markets, managing costs, or increasing innovation. HR contributions in these settings are not just about the activities of HR (sourcing, compensation, training), but about the outcomes of HR. Therefore, with the objective of adding value, and as part of an outside/inside approach, it is helpful to think in terms of three targets or outcomes of HR work: individuals, organizational, and leadership (see Table 1). This represents a broadening beyond the inside/outside focus on building talent and improving employee results. To deliver any strategy, individuals need to be productive and align their behavior to support the strategy; organizations need to have the right capabilities; and leadership depth needs to be widely developed throughout the organization.

When discussing the HR work needed for emerging markets, managing costs, or innovation, the HR professional could have asked questions along these three dimensions. In terms of individual: What talent do we need to make this strategy happen? In terms of organization: What organization capabilities do we need to make this strategy happen? In terms of leadership: What leader behaviors are needed make this strategy happen? Once these targets or outcomes have been defined, then the HR practices may be designed and delivered to accomplish these outcomes. Below we highlight some of the future thinking for each of the three targets of HR work.

4.2.1. Individual ability (talent)

At the risk of grossly oversimplifying, we propose that there is actually a deceptively simple formula for talent that can help HR professionals and their general managers make talent more productive: Talent = Competence * Commitment * Contribution. Competence means that individuals have the knowledge, skills, and values required for the jobs the organization has today as well as to-morrow. One company clarified competence as *right skills*, *right place*, *right job*, *right time*. For example, an emerging trend in the workforce planning domain of competence improvement is to identify key positions and match people to positions. It goes without saying that competence clearly matters.

But without commitment, competence is discounted. Highly competent employees who are not committed may be smart, but don't work very hard. Committed or engaged employees work hard, put in their time, and do what they are asked to do. Commitment trends and social exchange focus on building an employee value proposition to ensure that employees who give value to their organization will in turn receive value back. Future HR needs to design practices that accurately assess competence and commitment propensity in selection and fosters commitment following on-boarding.

Commitment and competence have been the bailiwicks for talent during the past decade. Yet, while future employees may be competent (able to do the work) and committed (willing to do the work), unless they are making a real contribution through the work (finding meaning and purpose in their work), then their interest in what they are doing diminishes and their productivity wanes. Contribution occurs when employees feel that their personal needs are being met through their participation in their organizations. Leaders who are meaning makers help employees find a sense of contribution through the work that they do. Organizations may be a universal setting where individuals find abundance in their lives through their work and they want this investment of their time to be meaningful. HR professionals who architect such "abundant organizations" embed this meaning throughout the organization. Simply stated, competence deals with the head (being able), commitment with the hands and feet (being there), and contribution with the heart (simply being).

In this talent equation, the three terms are multiplicative, not compensatory. If any one of the three is absent the other two will not replace it. A low score in competence will not ensure talent even when the employee is engaged and contributing. Talented employees must have skills, wills, and purposes; they must be capable, committed, and contributing. HR leaders can engage their general managers to identify and improve each of these three dimensions to increase individual ability and gain productivity. Therefore, we propose the following as characteristics of talent that will need to be outcomes of future HR.

Proposition 2a. *Future HR's role in talent acquisition, required to support organizational strategy and add value, will be dependent on three characteristics of talent including high levels of commitment, competence, and contribution.*

Proposition 2b. *High performing organizations will be characterized by talent that is not only committed and competent but also that experiences contribution or meaning and purpose in their work.*

4.2.2. Organization capability

When discussing HR work outcomes of the future, talent is not enough. Great individuals who do not work well together as a team or in their organization will not lead to organizational success. Great individual talent may succeed 15 to 25% of the time, but teamwork matters most. In recent years, people have called for HR to be relabeled the talent function, with a focus on workforce, people, and competencies. But, without attending to teamwork, workplace processes, and culture, HR misses opportunities to have sustainable impact. Future HR professionals sitting in business discussions need to offer insights on organizations as well as individuals.

The organization of the future exists today, but not in the traditional sense. Generally, when thinking about an organization, we turn to morphology (i.e., the study of structure or form), and we define an organization by three factors. First are its roles, which define the hierarchy of who reports to whom and who has accountability for work. Second are rules that represent policies and prescriptions for how work is done. And the third are routines that reflect processes or cultures within the workplace. Combined, these three traditional factors capture an organization's structure or shape. In the last decade, however, a lot of restructuring organizations has been done to right-size, reshape, reengineer, redesign, delayer, and rebuild organizations based on these three factors. Although this restructuring work encapsulates organization design, it is only a small part of the complete organization of the future.

When we work with executives to define the organization of the future, we ask them a simple question: "Can you name a company you admire?" The list of admired companies varies, but it often includes such well-known firms as General Electric, Apple, Disney, Google, Microsoft, or Unilever. We then ask the executives, "How many levels of management are in the admired firm?" Almost no one knows. But more importantly, no one really cares. The reason is because we do not admire an organization because of its roles, rules, or routines. Instead, we admire GE because of its capacity to build leaders in diverse industries; we admire Apple because it seems to continually design easy-to-use products; we admire Disney for the service we experience; and we admire Google and Microsoft for their ability to innovate and shape their industry. In other words, organizations are not known for their *structures*, but for their *capabilities*.

Capabilities represent what the organization is known for, what it is good at doing, and how it patterns activities to deliver value. The capabilities define many of the intangibles that investors pay attention to, the firm brand to which customers can relate, and the culture that shapes employee behavior. These capabilities also become the identity of the firm, the deliverables of HR practices, and the key to implementing business strategy. A Duke (2011) client study noted that HR professionals today are "shifting their focus from individual competency to organizational capability" (p. 6). McKinsey (2010) also looked to the future and found that capabilities will become more important than individual competencies: "Nearly 60 percent of respondents to a recent McKinsey survey say that building organizational capabilities such as lean operations or project or talent management is a top-three priority for their companies. Yet only a third of companies actually focus their training programs on building the capability that adds the most value to their companies' business performance" (p. 1).

While competencies represent the abilities of individuals, capabilities capture the organization's identity (Ulrich & Lake, 1990). Organizational capabilities reflect an organization's ability to manage its relationships with its environment and stakeholders. In the future, HR professionals need to work to identify and build capabilities. Some of the traditional and accepted capabilities that have been discussed extensively have included efficiency (e.g., lean manufacturing), globalization, quality, customer service, and speed of change or agility. We expect that other emerging capabilities for organizations to succeed in the future might include:

- Risk management. In volatile and changing markets, organizations that can anticipate and manage risk will be more able to create sustainable change (DeToro, Fineis, & Politzer, 2008).
- Social responsibility. With an increasing concern on environmental issues, organizations that have the ability to be socially responsible will attract employees, customers, and investors.
- Simplicity. As the business world becomes more complex, organizations that can remain simple in product design, customer interfacing, and administrative systems will be more responsive (Ashkenas, 2009).
- Connection. With technology being the workplace of the future, organizations that can form connections among employees, between employees and customers, and with partners will be more likely to have collaborative social networks around the world (PwC, 2007).
- Innovation. While not a new topic, innovation will increasingly be broadened to include not only products, but customer interfaces or channels, administrative processes, and business models.[3]

Identifying capabilities such as these, some of which involve business context and external stakeholders, reflects the appropriateness of an outside/inside approach for HR. Future HR professionals need to play a part in identifying their organizations' needed capabilities and then respond by fostering them.

Proposition 3. *In order to support organizational strategy and add value, future HR work needs to focus on identifying and building organizational capabilities. HR which not only continues to build traditional capabilities, but also focuses on building emerging capabilities such as risk management, simplicity, connection and innovation will lead to higher firm performance.*

4.2.3. Leadership brand

A third future HR targeted outcome, needed to support strategy and add value, is building leadership throughout the organization (Table 1). Ultimately, leaders bring together both individuals and organizations to solve customer problems. But, there is a difference between leaders and leadership. A leader refers to an individual who has unique abilities to guide the behavior of others. Leadership refers to an organization's capacity to build future leaders. While an individual leader matters, an organization's leadership matters more over time. Looking forward, future HR professionals will need to not only help individual leaders be more effective through coaching, 360 feedback, and individual development plans, but build leadership depth by investing in leadership development. Based on our studies of leadership, there are five things that HR professionals should do in the future to upgrade the quality of an organization's leadership.

First, HR needs to build the business case for leadership. HR can show that the quality of leadership will drive performance both inside and outside the organization. To do this, HR can present examples of high performing companies that have leadership depth, that emphasize leadership development and promotion from within, and are viewed by peer companies as a source of high quality leaders (Bower, 2007). Outcomes of leadership depth also can be emphasized such as the capacity to respond to changing business conditions, execute strategy, increase investor confidence, and anticipate customer requirements.

Second, HR needs to define leadership effectiveness from the outside/in. Consistent with the logic of creating value for external stakeholders, HR can help define what makes an effective leader from the outside/in. Often leadership success remains either inside the company (leaders learn from other leaders in the company who have succeeded) or inside the individual. In the future, we think that the criteria of leadership should start with customers. In a number of companies, we start to define effective leadership by viewing the company's commercials or other media presentations. These externally focused broadcasts define the company's intended brand. We then identify the leadership behaviors consistent with this external brand. When leaders inside the company behave consistently with the expectations of customers (and other stakeholders) outside the company, the leadership will be more sustainable and effective. HR professionals who define internal leadership through external expectations will set more relevant and impactful leadership standards.

Third, HR needs to establish leadership assessment. Once leadership standards are set, leaders need to be assessed on how well they meet those standards. The assessment results can inform subsequent leadership development. Toward this end, with an external view, HR can expand leadership 360s to 720s where customers, suppliers, communities, regulators, or other external stakeholders are

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[3] Excellent work on innovation is in Larry Keeley's work (www.doblin.com).

included in assessing targeted leaders. In one company, its Board of Directors now regularly assesses the CEO's performance both inside the company with his team and among his employees and outside the company with key stakeholders. This type of assessment offers a more complete view of leaders who have roles with external stakeholders. Assessment also may help determine high potential and future leaders by looking at the extent to which they have aspirations to lead, ability to meet future standards, and agility to learn and grow. HR professionals charged with leadership assessment may monitor current and aspiring leaders' abilities to serve customers.

Fourth, invest in leadership. The traditional formula for leadership investment has been 70–20–10. The logic is that 70% of learning and development is on the job, 20% is from feedback and observation of role models, and 10% is from training. We think that this formula should shift to something like: 50% of learning from job experience, including role models, 30% of learning from updated training, and 20% of learning from life experience. Most learning still comes from doing and experiencing. Traditionally training is what we call a "tourist activity" where people visit the event, observe it, and may leave with a memento (the training notebook is the equivalent of a tourist's pictures), but have experienced little impact. The ultimate criterion for training success is transfer of training to an individual's attitudes, behavior, and its impact on company results (Blume, Ford, Baldwin, & Huang, 2010). We suggest guest training where the participant in training is immersed in the business, during the training session, which will maximize transfer. This mean pre-work to know what the participant should leave with, action learning during the training, live and relevant cases and problems to be solved, customers as faculty and participants, and follow up to ensure that ideas taught had real impact.

Regarding the 20% of learning from life experience, many of us learn from experiences outside of work, in families, social settings, social networks, volunteer work, reading, and traveling. When companies can encourage and access knowledge from such life experiences, leaders will broaden their repertoire. For example, one company uses their philanthropy efforts as development opportunities for high potential leaders. Future HR needs to consider the organization's current mix of investment in leadership approaches and configure as necessary for a systematic development of leadership.

Fifth, measure leadership. Leadership investments have often been measured using Kirkpatrick's (1994) scale: attitude, knowledge, behavior, and results. This is an outstanding scale. We envision two changes in the future, both expanding on the results. First, in the case for leadership, HR professionals need to measure how leadership has helped an organization deliver value to its stakeholders. This value should be measured as an indicator of leadership success. Second, we have talked about a new ROI for leadership (and HR), that being Return on Intangibles. As noted above, intangibles represent about 50% of a company's market value. Future HR needs to make an effort to link HR and leadership to this market value; the outcome this will be to make, the issues even more salient to line managers.

Proposition 4. *In order to support organizational strategy and add value, future HR work needs to build leadership depth by investing in leadership development, which will involve building a case for leadership, defining leadership effectiveness from the outside/in, implementing 720 assessment, updating training, and measuring leadership results.*

4.3. Four domains of HR investments

We have been arguing that the basic direction for future HR is to add value to the organization and to have an outside/inside perspective. There is a third primary issue, in addition to the need for HR to understand the business context and key stakeholders and to consider changes we have outlined for the individual, organizational and leadership targets of HR work. As presented in Table 1, this third issue is HR investments or where to direct resources in HR. Every few years someone writes an article or column with the theme that they "hate HR." A logical, initial reaction to this is: "What do you mean by "HR""? HR may refer to the HR function, HR practices, HR professionals, or HR metrics. Investments in the future of each of these areas may mitigate the enmity that others feel toward HR. We also believe that investments can affect the degree to which future HR is successful in functioning in a full partnership role, having an outside/inside approach, and adding value. In the following we describe future investments in each of the four areas: HR department, HR practices, HR people, and HR analytics (see Fig. 3).

4.3.1. HR department

The first domain of HR investments is the HR department. With the on-going transformation of HR, over the last decade or so, most HR functions have undergone transformation. This generally implies redefining the goals and restructuring the function. The goals of an HR function should be drawn from the capabilities that the organization needs to succeed. If an organization requires innovation, speed, or leadership as its capabilities, these should be the goals of the HR function (often called HR vision, mission, or purpose statement). When the function's goals and organization's capabilities overlap, HR will be more able to contribute to business success.

Restructuring HR has occurred with the delineation of the transaction and transformation work of HR. HR transaction work includes the administrative, compliance, and routine processes necessary to support an organization. Many of these processes are more efficiently accomplished through technology. By separating the administrative from strategy work, the HR function has mirrored changes in other staff groups (finance and accounting, data centers and strategic formation systems; marketing and sales).

The actual structure of an HR department varies depending on the structure of the business.[4] Companies typically organize along a grid of centralization — decentralization, which leads to three generic ways in which a company operates (see Fig. 4): functional organization, holding company, or diversified/allied organization. The HR department should align with the structure of its business operations (Fig. 5). Future HR will need to evaluate and adapt the fit of its structure to business operations to ensure alignment.

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[4] We recognize that there are generally two types of "business strategy": [1] Corporate strategy focuses more on the portfolio or mix of businesses and [2] business unit strategy focuses on how a particular business unit anticipates and services customers to make money. Each view of strategy leads to business organization choices which then lead HR organization choices.
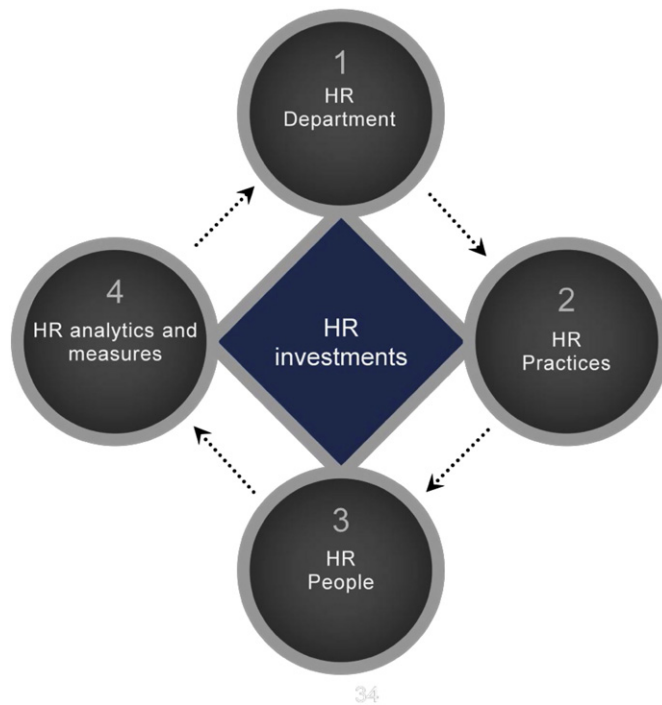
Fig. 3. Domains for HR investments.

4.3.2. Functional organization

When a company is comprised of a single business it competes by gaining leverage and focus. The role of HR in the single business is to support that business focus through its people practices. Generally, start-ups and small companies have little or no HR staff. Until a company has 50 to 75 employees, it hardly needs a full-time HR professional; a line manager can usually handle required basic HR activities. As companies grow, HR departments and staff grow as well. But as long as the organization remains primarily a single line of business, HR expertise most logically resides at corporate, establishing company-wide policies, with HR generalists in the plants or divisions responsible for the implementation of these policies. They do so because there is no meaningful differentiation between the business and the corporation. The HR functional organization suits a single business strategy. It should not be abandoned in favor of the more popular shared service organization unless the structure and strategy of the business mandate the choice. We see only about 15 to 20% of large organizations following this functional organization alignment.

4.3.3. Holding company

When the company is composed of multiple, unrelated businesses that are managed independently, it is best described as a *holding company*. While pure holding companies are rare (probably fewer than 10% of overall businesses) although we see some resurgence of holding company structure associated with the rise of large and well-capitalized private equity and investment firms such as Carlysle,
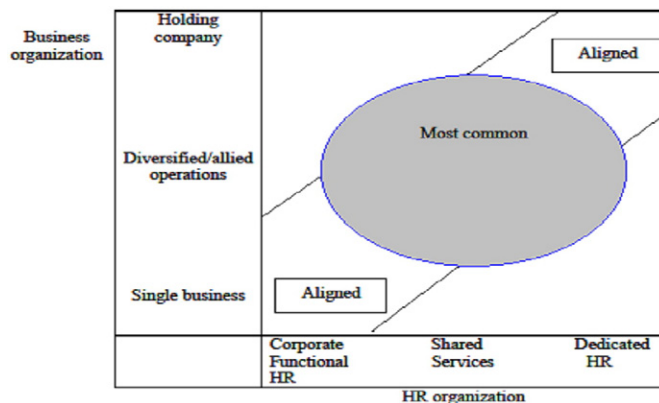

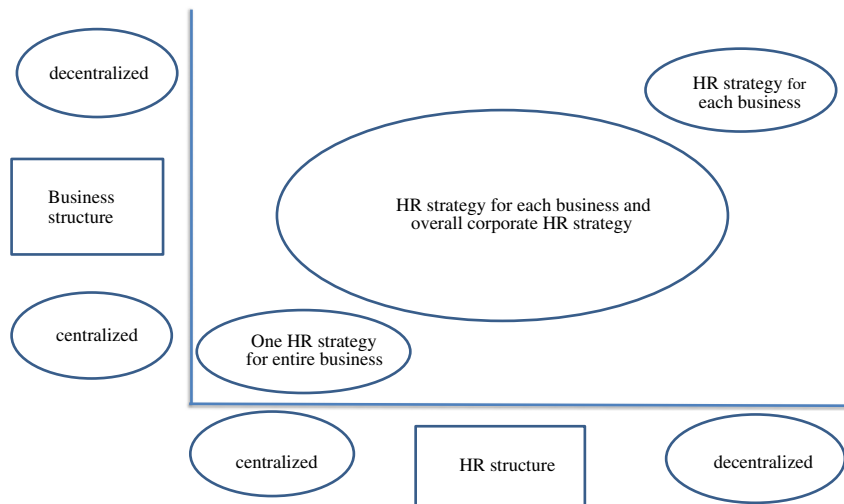**Fig. 4.** Alignment of business organization and HR organization.

Fig. 5. Business structure and HR structure.

Berkshire Hathaway and Blackstone. For example, Berkshire Hathaway owns or controls Dairy Queen, NetJets, GEICO Insurance and Fruit of the Loom. Blackstone owns such varied companies as Celanese, Houghton Mifflin, Southern Cross/NHP, SunGard Systems, TRW Automotive, and Vanguard Health Systems.

In a holding company, there is often little or no HR at a corporate level, and little impetus to have such. Each business is expected to create and manage its own autonomous HR practices based on the specific needs of the business. Therefore, HR is embedded within the businesses. GEICO has an HR department, as does Dairy Queen and NetJets, but Berkshire Hathaway has no corporate HR. Realistically, so long as the corporation is managed as a group of independent businesses, tied together only by a common treasury function (how investment funding is raised), and perhaps investor relations (if the company is publicly traded), the requirements for HR (and the benefits of interaction among subsidiary HR groups) are minimal. Even in those cases where there is a corporate HR function, it is likely to be small and focused primarily on executive talent recruiting and managing executive compensation. If organizing HR for a holding company, the requirement is to embed dedicated HR departments within the business units, and ensure they are well led. Probably around 10% of organizations are holding companies.

4.3.4. Diversified/allied businesses

The vast majority of larger companies are neither pure single business, nor are they true holding companies. They lie somewhere in between, either in related or unrelated spectra of diversification. They create operating or business units to compete in different markets, yet try to find synergy among them. The best of these organizations align their portfolio of businesses around a core set of strategic capabilities that are leveraged across operations. For these business organizations, a relatively new way to organize HR resources has emerged called shared services (Cooke, 2006).

Table 2
Functional HR, shared services, and dedicated HR.

Dimension	Functional	Shared services	Dedicated
Business organization	Single business	Related or unrelated diversification	Holding company
Design of HR policies	Performed by corporate functional specialists	Alternatives created by specialists in centers of expertise	Designed and delivered by functional specialists within a business
Implementation of HR practices	Governed by corporate specialists	Governed by local HR professionals who select options from center of expertise menu	Governed by local HR specialists embedded in the business
Accountability	Corporate HR	Split between operations and HR	Local business leader
Services orientation	Standardized services across the corporation	Tailored to business needs with consistency through learning and sharing	Unique services for each business
Flexibility	Mandates use of internal resources	Has flexibility as governed by the centers of expertise	Each business creates what is required
Chargebacks	Business units pay an allocation of HR costs	Business units pay for use of service	Business units fund their own HR costs
Location	Strong corporate presence with HR generalists on site	Wherever makes sense	Small corporate HR office, with HR staff at local level
Skills requirements for HR	Technically expert in design and delivery	Design expertise, but also consulting and support	Business expertise and technical specialty in business
Wealth creation criteria	Corporate shareholder value	HR value creation for line managers, employees, customers, and investors	Business unit profitability

Shared services has two parts: [1] service centers which rely on technology to meet employee administrative needs, and [2] centers of expertise which create specialist knowledge and insight (see below for details). From a distance, shared services looks a lot like centralization, but it is not. Table 2 presents some of the ways functional HR, shared services, and dedicated HR differ from one another. Shared services became popular among staff groups—not just HR—beginning in the late 1990s as a response to general cost pressures. Staff leaders couldn't simply choose the cheapest and most efficient approach—centralize and standardize all processes —because centralized staff work cannot keep up with the needs of each unit of a diversified/allied business. Shared services became a way to balance the efficiencies of centralization and the flexibility required for competing in different markets.

4.3.5. From shared services to professional services

Since shared services organizations have become more popular with large companies in the last decade, a frequent question is: "What's next in the HR organization?" Sometimes this is HR's quest to be on a journey for the future without really accepting the present. But, increasingly, we believe that the basic tenets of the shared services organization have not been fully deployed in many organizations. To understand a shared services organization requires thinking about HR as a professional services firm within a firm. Any professional services firm (e.g., consulting firm, advertising agency, and film production studio) has a simple challenge: turn our knowledge into client productivity. To do so, a professional services firm generally is organized with knowledge centers staffed with individuals who have deep expertise in a technical area. Then, professional services firms have client relations managers whose job it is to diagnose client wants and needs and then pull knowledge together into client teams to meet those client expectations.

The HR organization in Fig. 6 captures how future HR can turn the logic of a professional services firm into an HR organization. Service centers (#1 in Fig. 6) will rely on technology to efficiently manage the administrative and transaction work of HR. Many firms that outsourced these transactions to gain efficiency may find that they can begin to re-insource this transaction work through technology. Corporate HR (#2) will continue to focus on HR for top (and visible) leaders, to offer integrated HR solutions to corporate wide initiatives, and to manage HR careers. Embedded HR (#3) will be the generalists who diagnose problems and offer individual, organization, and leadership solutions to business challenges. Centers of expertise (#4) will continue to be HR specialists with deep technical knowledge in the HR core areas of staffing, learning, compensation, organization development, and so forth. Operational HR (#5) will be those charged with transferring HR knowledge into client productivity.

The metaphor of HR as a professional services organization within the organization will lead HR professionals to not invent a new HR structure, but to make the Shared Services organization work well. This is consistent with a 2009 survey conducted by Accenture that found that high performing businesses, whose shared services had moved beyond simple transaction processing to being a core contributor for adding value, viewed their shared services as high-performance businesses within their businesses (Duncan & Fass, 2009). This will require attention to what one firm calls dynamic resource allocation and HR knowledge needs to be transferred into clients that create individual, organization, and individual value. This will require on-going dialogue about what HR initiatives should be pushed throughout the entire organization versus those that should be pulled into a specific organization unit based on its business requirement (somewhat like a tax auditing firm that has the dual obligation of ensuring that their client complied with the
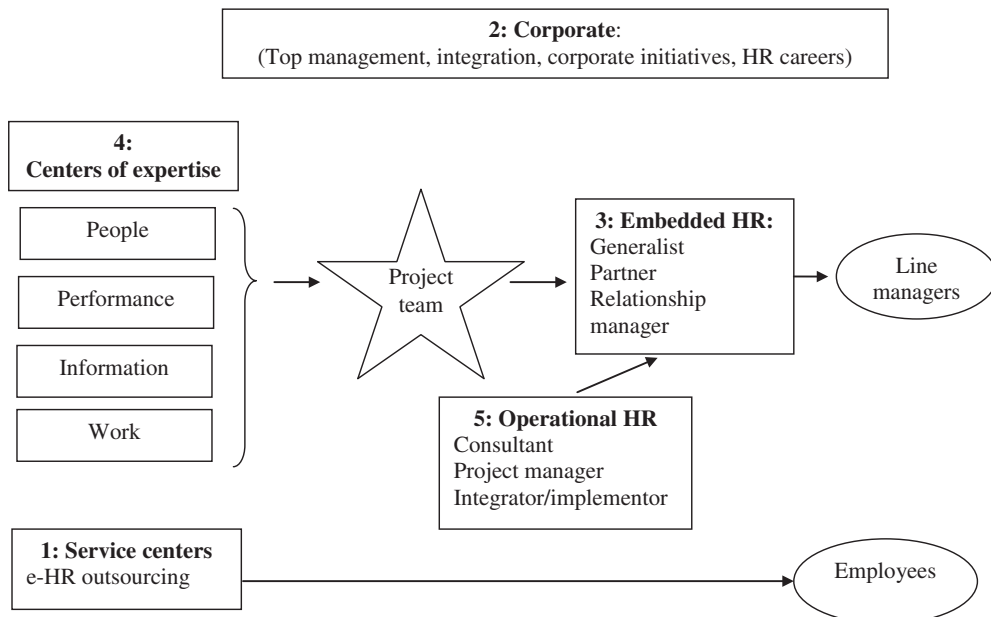

Fig. 6. Overview of the HR organization.

current tax code and at the same time, advise the client on innovative alternatives). This also will require careful thought about careers and competencies of those in HR. An individual may chose to spend a career in a specialty area, a particular business, or move across the two.

The point is, the HR structure of the future may be here today. It is tied to the strategy of the business. Therefore, some HR structures should operate as functions (e.g., in single businesses or holding companies). More common among large firms, the HR shared services may be called "professional services" because it needs to operate like a professional services organization within its firm.

Proposition 5. *In order to support organizational strategy and add value, future HR needs to be appropriately structured to fit the structure of the business. Future HR departments in larger companies (with related or unrelated diversification), that are conceptualized and structured as a professional services organization will provide greater value added than many of today's shared services approaches to HR.*

4.4. HR practices

A second area of investment is HR practices. There is a vast array of HR practices, each with nuances that make the list of HR work daunting. To simplify this work, we have summarized HR practices into four areas. First are *people*. HR work shapes the flow of people in, through, and out of an organization. This includes the array of HR practices around workforce planning, staffing, training, development, and retention. Second is *performance*. HR work promotes accountability with a focus on performance management, setting standards, measuring performance, allocating rewards, and offering feedback. Third is *information*. HR work may also include the flow of information from top to bottom, inside to outside, and side-to-side within an organization. Fourth, is *work*. HR work includes an understanding of how the organization gets work done (e.g., through teams), workforce policies, and physical settings. These four categories obviously overlap and affect each other, but HR professionals in the future will need to master three actions relative to this HR work: alignment, integration, and innovation.

4.4.1. Alignment

HR practices in each of the four areas can and should align not only with strategy, but external stakeholders. By employing an outside/in approach we are arguing for, future HR will result in HR professionals constantly attuning their HR work to customer, investor, and community expectations. Training may include customers in the design of the training, as participants in training programs, and as faculty and facilitators in training. A test of a reward system is to ask customers if the standards in the performance appraisal process match their expectations. Communications outside the organization can and should reflect communications inside the organization. Customers may also be involved in teams and other organization design choices to make sure the organization matches the customers' expectations.

In order for HR professionals to be aligned not only with strategy but with external stakeholders, requires that they know the customers. With this in mind, we suggest that HR professionals spend about 2 to 5% of their time (1/2 to 1 day a month) on sales calls with customers. At first sales people may resent the HR person and customers may wonder why they are there. Then, it begins to get clearer; the sales person sells a product or service; HR builds a relationship. When HR looks at a customer and says, "We will work to hire, train, pay, communicate, and organize our people to deliver what we have just promised you," the customer begins to move beyond buying products to forming relationships. A leading company invited a small focus group of customers into their annual HR planning meeting to ask the customers if the capabilities they identified as their goals for the forthcoming year would cause the customers to buy more products or services. While this is example focuses on customers, we could just as well discuss investors, communities, regulators, or other external stakeholders.

4.4.2. Integration

One firm with disconnected HR specialists worked to hire people with skills A, B, and C, and then trained them to do D, E, and F, then communicated the importance of G, H, and I, and organized them to deliver J, K, and L. This is obviously an extreme example, but until and unless HR practices integrate with each other, HR works at cross purposes. In general, HR's alignment with, and implementation of, business strategy serves as a catalyst to integrate HR practices. In addition, integration can also often be around organization capabilities. If a company defines its desired capability as innovation, HR can the hire, train, pay, communicate, and organize work to deliver innovation. Research has shown that integrated HR work leads to higher results because different HR practices focus on similar results (Becker, Huselid, & Beatty, 2009).

4.4.3. Innovation

Innovation is not just a product or service, but administrative process as well. There is a great deal of innovation occurring in HR areas, a topic that is out of the purview of this monograph. But, HR professionals should constantly be seeking new ways to manage people, performance, information, and work. Many of these innovations will come from the challenges of doing work in new product or emerging global markets. For example, one company develops local leaders in emerging markets by having a seasoned leader from a mature market be assigned "2 in a box" where a mature and emerging leader share leadership duties. The mature leader is charged over a period of time (e.g., 1 or 2 years) with not only leading, but transferring leadership insights to the local leader. Seeking HR innovation requires a spirit of inquisitiveness, a willingness to experiment with new ideas, a capacity to troll for innovative ideas those inside and outside your industry, and a rigorous discipline of assessment of what works and what does not. When HR practices in people, performance, information, and work are aligned, integrated, and innovative,

HR is able to deliver individual abilities (talent), organizational capabilities (culture), and leadership to their organization in ways that serve stakeholders and respond to external business contexts so that value is created. This HR future requires new skills for HR professionals.

Proposition 6. *In order to add value to organizations, future investments in HR practices related to people, performance, innovation, and work need to focus on alignment, integration, and innovation. These foci will contribute to firm performance and are consistent with HR having an outside/inside perspective.*

4.5. HR professionals

HR professionals represent a third domain of HR investment. Since the beginning of the transformation of HR in the 1980s, a key requirement has been an upgrading in the skills of HR professionals, including business acumen, in order to understand the business, function as business partners, and be credible. An investment in human capital and competencies will need to continue among HR professionals. A collaboration between several HR-focused groups (the RBL Group, in conjunction with the University of Michigan and a variety of HR professional associations from around the world), has studied the competencies and agendas of HR professionals as business partners for over twenty years. During this time they have gathered data from over 45,000 participants. This work and in-depth experience with hundreds of companies suggests three trends that will frame the roles and skills of HR professionals going forward.

First, 20–60–20. We are not sure that these are the precise percentages, but they imply that about 20% of HR professionals are able and willing to contribute to business success as we suggest above. This monograph will be confirming to them. Another 20% are either unable or unwilling to engage in the work we describe. If one wants to see either good or bad in HR, they can go to those in either extreme to celebrate or lament the progress of HR. The 60% majority represents the black box and the question for those is: are they making progress? In general, are HR professionals more able to contribute to business today than yesterday and more tomorrow than today? My sense is yes, although the progress may not be fast enough.

Second, companies will continue to require fewer HR professionals to do transactional administrative work. As discussed, emerging information and communication technologies will continue to be applied to improve the efficiency of HR administrative work such as payroll, benefits administration, entry level staffing and employee record keeping. As companies continually grapple with the challenges of focusing on the most important wealth creating activities of the firm, it will undoubtedly be the case some nice-to-have but strategically unnecessary HR activities will be eliminated.

Third, as HR professionals become more able to contribute to business success, they will become more balanced in their approaches to their work. In the most recent round of Ulrich and colleagues' competency research in 2012 (Ulrich, Brockbank, Younger, & Ulrich, 2012; Ulrich, Younger, Brockbank, & Ulrich, 2012), they found that effective HR professionals function in six roles. First, is the role of c*redible activists* who build relationships of trust but who also have a point of view about how the business should operate more successfully. Second role is st*rategic positioners* who go beyond knowing the business to helping position the business in contexts and with stakeholders for future success. Third role is c*apability builders* who recognize, diagnose, and improve organization capabilities so that the organization's culture aligns with its strategy. Fourth role is *change champions* who both initiate and sustain change at the individual, initiative, and institutional levels. Fifth role is *HR innovators and integrators* who create new practices in people, performance, communication, and work and who make sure that these practices are integrated. Sixth, role is *technology* proponents who use technology for efficiency, but also to build relationships and share information in social media landscape.

Ulrich et al.'s research, that included over 20,000 respondents, found that credible activists have a primary impact on HR professionals' personal effectiveness, but not on business results. Business results come from HR professionals being capability builders, HR innovators and integrators, and technology proponents. Therefore, HR professionals must ensure that they have a balanced approach to their business contributions.

As we look forward, we envision HR professionals continuing to need to demonstrate competence in these six roles. In addition, there will be a need to make investments in HR professionals that enable them to adapt and manage other future challenges including:

- Globalization. Globalization has been prevalent for twenty years and now and in the future is a given in HR work. HR professionals should be able to be active contributors in developing individual, organization, and leadership capabilities for their companies to compete in emerging markets. BRIC countries (Brazil, Russia, India, and China) have dominated the global discussions in recent years, to be replaced by the next 11 emerging markets: Turkey, Vietnam, the Philippines, Indonesia, Nigeria, Iran, Korea, Pakistan, Bangladesh, Mexico, and Egypt.[5] For example, HR professionals need to advise their companies in how they should build local leaders in global and emerging markets.
- Risk. With the recent recession, executives learned that they had to manage risk. Much of this risk is technological, financial, compliance, and operational.[6] But we expect that future risk will be about individuals, organizations, and leadership, the three targets of HR. When external boards or regulatory agencies examine risks, HR professionals need to be able to be a part of this conversation.

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[5] These 11 emerging markets have been identified by Goldman Sachs (2007), who identified the BRIC markets.
[6] See Frigo and Anderson (2011) for the standards for risk management from the Committee on Supervising Organizations (commonly known as COSO) of the Treadway Commission.

- Meaning. We have suggested that individuals require competence, commitment, and contribution. HR professionals who are able to help employees find meaning at work through their contribution will ensure increased productivity. We have found in our research that the ability of an organization to creating meaning enables other organization capabilities.
- Sustainability. The social responsibility movement, which began with concerns about carbon footprints and environmental renewal, has shifted with the next generation of employees to concern for sustainability in all aspects of organization. Socially responsible organizations, policies that balance work and life, and corporate philanthropy will likely become woven into sustainability efforts and HR professionals need to be able to manage such initiatives.
- Yet unidentified skills: Some future HR skills remain questions.

Proposition 7. *The ability of future HR to add value and have an outside/inside approach will require that HR professionals not only function as capability builders, technology proponents, and HR innovators and integrators but also gain the skills required to adapt and manage future challenges such as globalization, risk, meaning, and sustainability.*

4.6. HR analytics

HR analytics represent a fourth domain of HR investment. As HR has become more aligned with business, evidence-based HR and HR analytics have become increasingly important (Boudreau & Ramstad, 2007; Gibbons & Woock, 2007). Without rigorously tracking HR investments and outcomes, HR decisions and priorities remain whims not science. With HR analytics, line managers and HR professionals can better justify, prioritize, and improve HR investments. While many HR decisions require insight and judgment, improved HR metrics help HR move toward professional respectability and decision-making rigor. The following are observations about the use of metrics for future HR.

First, avoid a means/end inversion. The end of HR is to create value; improved HR analytics are a means to helping codify and make value happen. Some companies are so concerned about the HR scorecard or dashboard that they are making metrics the end, not the means. This is like a sports fan being consumed with the detailed statistics of the event and not paying attention to whether the team won or lost. Effective HR metrics means doing more predictive than descriptive analytics. Descriptive analytics have scorecards and dashboards that can be used for comparisons across time or with others. Predictive statistics emphasize a path with lead indicators and outcomes of interest. Instead of using mean data that shows how well we do, we will likely see more correlation-based data showing how what we do impacts what we want to have happen and predictive (e.g., regression analysis) to investigate the relationships among indicators and outcomes of interest. Showing how and which employee attitudes inside a company affect customer attitudes and investor confidence outside the company are examples of predictive HR metrics.

Second, avoid measuring what is easy and focus on measuring what is right. Just because something can be measured does not mean it should be. In the past, HR would measure activities such as how many managers received 40 h of training or how much people liked attending a training program (see Fig. 7). Going forward, we need to measure the intended outcomes of those activities. Ultimately, HR investments should affect customers, investors, and other stakeholders outside the organization. Sometimes the line of sight between these ultimate business outcomes and HR investments is difficult to track and therefore it is important to measure intermediate impacts of HR work. Intermediate measures of HR should be around the outcomes or targets of HR work: individual ability (competence, commitment, contribution), organization capability, and leadership depth. It is important show relationships between HR activities, HR outcomes, and business outcomes. When correlations and eventually causations can be determined, HR work will deliver more value.

Third, keep measures simple and focused on decisions. Too often, the desire to quantify HR leads to more HR data than insight. Turning valid data into thoughtful decisions should be the focus of HR analytics and under the purview of HR professionals. Sometimes this starts with data from HR information warehouses (e.g., about employee attitudes, turnover, compensation, performance, and so forth) that may be used to improve decision making. In such cases, HR professionals need to learn how to cull from the data key messages and trends. Turning complex data into simple messages requires HR professionals to be able to see themes or stories in the information warehouses they current access to make more informed decisions. Sometimes, using data for decision making starts with clarity about the decisions that need to be made, then to collect data to support or improve those decisions. For example, as companies shift to doing business in emerging markets, decisions need to be made about how to staff, train, pay, and organize employees in those markets. Once these specific decisions are defined, HR can collect data to make better decisions. HR should become a decision science, not a data warehouse.

Fourth, keep ownership and accountability of HR analytics with line managers. Line managers are the ultimate owners for HR work; they have final accountability for what is done and how well it is done. HR professionals are architects who build blueprints for actions and lay out choices that can be made. To gain line manager buy-in and support for HR analytics, it is important to involve line managers in determining the goals of the HR metrics, in defining which HR metrics should be used, and in applying those metrics for improved decision making. Validity and reliability are less about statistics and more about managerial buy in and use of the data collected.

Fifth, make necessary HR investments to be able to understand and use HR analytics. Unfortunately, in our research on HR competencies, we have found that HR professionals consistently lack in business acumen. Many HR professionals went into HR to avoid the quantitative side of business. But, it is no longer possible to sidestep data, evidence, and analytics that bring rigor and discipline to HR. Statistics is the foundation for HR analytics and needs to be become de rigueur for HR professionals going forward.
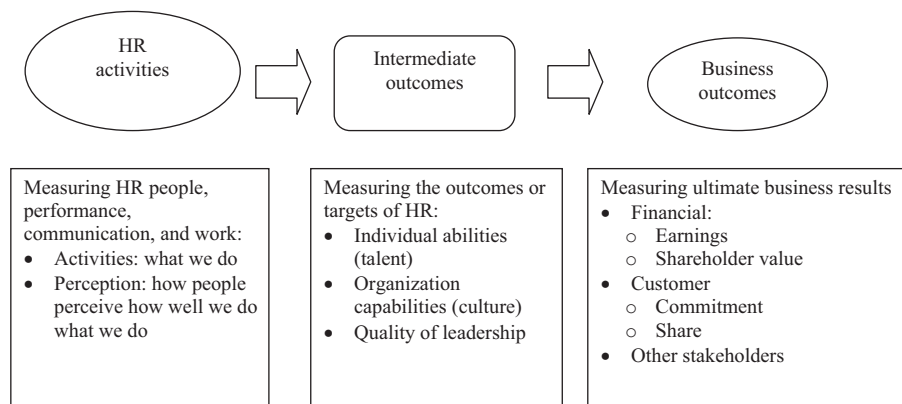
Fig. 7. HR metrics.

Proposition 8. *The ability of HR professionals to add value in the future and have an outside/inside approach will require investments in HR analytics, specifically in HR professionals' skills, and competencies needed to understand how to use metrics as tools to support decision-making and what analytics are needed and when.*

5. Conclusion

We started this monograph with a simple question: "Are we there yet?" To answer this question we suggested a straightforward but evasive definition of what "there" means: adding value. Continuing to add value is the mega-message for HR and the course future HR needs to follow. We then briefly described the evolution of HR and saw that HR originally had an inside/outside approach and a primary purpose to add value to the organization. HR drifted from that approach and purpose during the post WWII period, during which time HR had an inside-only approach, became maintenance and administrative oriented, and non-value adding. Starting in the 1980s, HR began to experience a transformation that involved three waves and a return to an inside/outside approach and a re-direction and focus on adding value to organizations.

Our primary premise is that future HR needs to have an outside/inside approach and this is central to its ability to continue adding value to organizations. An outside/inside approach connects HR to the broader business context, in which business operates, and to external stakeholders. This approach allows HR to go beyond prior efforts to add value inside the organization, through serving employees and line managers, to creating value by aligning HR services and activities to meet expectations of external stakeholders including customers, investors, and community.

We then laid out a roadmap for the journey which begins with business context and stakeholders, then moves to individual, organization, and leadership HR outcomes or targets, then shifts to HR investments in the HR function, practices, people, and metrics. This is an ambitious agenda. Some in HR (the 20% rule) have already arrived. Some in HR (another 20%) will never get there. The goal is to move the 60% to become more competent, committed, and able to contribute. Toward this end, we have laid out specific propositions regarding what is needed for future HR and for HR to move forward to be able to add value and function in a full partnership role. These propositions can be used by both researchers and practitioners.

The outside/inside approach provides the most relevant target or benchmark to evaluate the appropriateness and effectiveness of HR activities inside the organization—in meeting stakeholder needs. Specifically, monitoring business contexts and stakeholders, enables HR to continually align its work with these outside factors and to assess how it is doing on this journey to add value. HR has traveled a long way since it first emerged as a field and profession and the journey toward HR contribution is on-going. In 1942, Winston Churchill expressed a classic statement about a forward looking journey: 'This is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning.'

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