Business Strategy & HR: Strange Bedfellows or Strategic Allies?  
(A qualitative Study to Unlock the Value of HR as Strategic Business Partner)  

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Abstract  
The paper focuses on the dialectically scoped concepts linked with the ideology of HR and its impact upon business success, strategic decision-making, and how well the function is able to add tangible value through its activities and interventions. HR’s capacity to understand business needs is addressed, alongside the function’s ability to improve the bottom line. The need to measure HR’s return on investment (ROI) is discussed in line with the effective performance management enforcement. Lastly, the potential role of HR as Strategic Business Partner is discussed. The study brings out more insight into the important aspects of the process of strategic human resource management with a view to explore a relationship of alliance between dialectically aligned concepts of business strategy and HR function.

Keywords: Strategic Partner, Human Resource Transformation, Strategic Human Resource Management, Strategic Business Partner, Return on Investment (ROI), Performance Management

Introduction  
Research articles, books and many business studies argue that HR needs to become a strategic partner (Ulrich, 1997; Brockbank, 1999; Lawler & Mohrman, 2000a). Increased integration between human resource management and business strategy is one of the most important demands that are placed upon modern strategic resource management. But it gives birth to a number of questions such as “Is HR becoming a strategic partner”? What does becoming a strategic partner entail? Will HR function perform more effectively on becoming a strategic business partner? And this has become one of the buzzing & contemporary HR issues for the last two decades. Yet, all too often, business leaders still wonder aloud why their organizations even have HR functions. Since HR leaders/ practitioners are willing to partner with the business, but given the exceptional and distinctive business strategy of each organization, they are facing dearth of concrete guidance in fulfilling the role. To embed the notion of HR transformation, strategic participation is important for HR professionals who wish to have increased influence in their organizations but HR leaders/practitioners are confronting with the dilemma of small number of success stories across the world. Mercer’s ‘HR Transformation Survey’ commissioned in 2011 showed that only 15% of the activities carried out by HR departments are related to “pure strategic interventions” (the survey polled 500 HR directors across Europe, the Middle East and Africa). On the contrary, Vanessa Robinson, head of HR practice development at the Chartered Institute of Personnel and Development, argued that HR’s strategic involvement may be underplayed in the survey findings (Eccleston, 2011).

In today’s business environment, the HR function is at a critical inflection point and enjoying a poor reputation for a host of reasons. Some of the reasons are deserved and some are just crap. How and what can HR do to improve the alluded perception of contumacious business leaders and stake its claim to be a credible player as a ‘strategic ally’? The answers to these questions not only shape up a way forward for the HR function but also help HR practitioners in establishing their position as strategic associates across the globe.

This issue has also received a great deal of attention both in practice and in the literature. However, the literature does not provide a definitive solution to bridge the gap between business strategy and HR function but draws limelight towards vision synchronisation between the two. This analytical study brings out more insight into the important aspects of the process of strategic human resource management (strategic HRM) with a view to explore a relationship of alliance between dialectically aligned concepts of business strategy and HR function.

Literature Review  
The concept of Human Resources Business Partner was enunciated by Dave Ulrich in the field of Human Resource Management. Ulrich’s business partner model was launched to great acclaim in 1997 in his book Human Resource Champions. Proclaiming Ulrich’s work, many recent articles, books, surveys and studies accentuate that HR needs to become a strategic partner (e.g. Jamroq and Overholt, 2004). Previous studies have examined HR’s strategic role generally in organizations (e.g., Collin & Clark, 2003; Schuler, Dowling, & De Cieri, 1993; Schuler & Jackson, 2007; Ulrich, 1997, 2001) and in communicating and enhancing HR’s value to the organization (Beatty & Schneier, 1997; Huselid, 1995; Ulrich & Beatty, 2001). Other researches in this
domain put emphasis on HR’s strategic participation through enabling the employees to create organization-specific competencies (Akhtar, Ding, & Ge, 2008; Lengnick-Hall & Lengnick-Hall, 1999; Wright, McMahan, McCormick, & Sherman, 1998). Recent research, however, suggests that HR is not making much progress towards becoming a strategic partner despite the belief by HR professionals that it should (Lawler and Mohrman, 2003a; 2003b).

Researchers have held an opinion that despite of compelling arguments supporting the view that HR management is the key strategic issue in most organizations, HR executives have not been strategic partners in history (Lawler, 1995; Brockbank, 1999; Mohrman & Lawler, 2000a). The HR function has been an administrative function headed by individuals whose roles are largely focused on cost control and administrative operational activities (Ulrich, 1997). Numerous studies have analyzed the potential for the HR function to be a strategic partner and established that it can be a value-added function. For example, work by Becker and Huselid (1998) found a relationship between HR practices and business performance.

Historically, many within the HR profession have lamented the lack of respect and acknowledgement for the service they provide. Now the opportunity is banging at the door of the HR function to reverse the situation. The need to be more strategic and business-linked is evident (Robinson, 2005). Significant attention has been given to this issue, both in practice and in the literature. In this connotation, it is often advocated that an HR head/director should be a member of the board of directors or management team to address the relational aspect of integration between business strategy and human resources management. Researchers emphasized that an HR head/director should have a solid and business strategy-coordinated plan for the organization that defines the future outlook of the business (Orlov, 1999).

Over the last decade, HR professionals have increasingly been urged to develop new competencies as ‘HR business partners’ in their ongoing search to integrate business strategy with people management practice (Ulrich et al., 1995; Ulrich, 1997, Losey, 1999; Ulrich & Brockbank, 2005; Ramlall, 2006). In principle, competency models offer the possibility of creating an integrated and consistent framework for selecting, appraising, training and developing HR managers as business partners, as well as a mechanism for linking HR strategy and business performance (Boytzis, 1982, 1993; Ulrich et al., 1995; Baill, 1999). Many large organizations have developed very sophisticated and role-specific competency models for business partners, and an academic research and consultancy industry has grown up around this area, especially for organizations that wish to move into HR business partnering (Cabinet Office, 2005; Hunter et al., 2006; CIPD, 2007). Despite the growth in ‘business partnering’ competency models and their widespread advocacy, there appears to have been very few empirical or survey based investigations of the effectiveness of these models in redefining HR roles or in delivering a more strategic HR function (Huselid et al., 1997; Boselie and Pauwew, 2005; Ulrich and Brockbank, 2005). Most organizations are developing their HR Business Partner’s capabilities in knowledge, experience and personal competencies. The right caliber of HR Business Partner has as much to do with personality and orientation as business and professional skills (Lambert, 2009). But the effectiveness of these models for HR’s role reinvention, performance improvement and the transformation of the HR function are still subject to research. Effectiveness varies with the degree of change to the HR function, the consistency in implementing business partnering, the level of reduction in transactional HR, and the extent to which the HR function is centralized or decentralized. Moreover, other researches in this dimension highlight the importance of re-contextualizing the constraints on the effectiveness of competency models.

Perhaps the major champion of HR as a business partner is Dave Ulrich. He has argued that the HR function needs to become strategically proactive, that HR needs to go beyond administrative expertise and be an expert in strategic business partnership, change management, and employee advocacy (Ulrich, 1997). Conversely, Wright, et al. (1999) discussed the same thing in their HRPS-supported report in which they found a growing consensus in support of Ulrich’s model, but HR was not seen as able to execute on this model. Although there has been a great deal of normative writing about the role HR ‘should’ play, there has been little empirical investigation of whether it is actually playing this role (Lawler & Mohrman, 2000b). Likewise, there has been more speculative than empirical examination of what it takes for HR to become a strategic partner. Even though many organizations are struggling to make business partnering work effectively across the globe - be that in applying the Ulrich model itself or a customized approach and interpretation of its roles, structure and strategy outputs. However, difficulties include uncertainty over the approach, inadequate preparation and weak implementation. Although, particular challenges about business partnering are evident but integrating all component parts of the partnering process is crucial.

So, the theoretical background of the relational aspect of business strategy and human resources management suggests that the HR function has evolved from evolutionary to revolutionary role in the last two decades. HR function’s evolutionary role is its longest-running role is the delivery of clerical and administrative services, often consisting of satisfying legal and administrative compliance requirements that are directly linked with personnel administration. During the last decade HR has been encouraged to converge its focus on its revolutionary role to bring paradigm shift in the mind set of business leaders for establishing its identity as a
strategic business partner. In this role, HR is expected to implement and deliver HR practices and services that support the organization’s business strategy and meet the demands of managers and employees.

**Research Rationale**

The study aims to analyze the relationship between business strategy and human resources management from the integration perspective and answers the question, why many organizations across the world are still struggling with turning the theoretical concept of HR business partnering into reality? Besides, this research provides a way forward to today’s organizations in establishing their HR functions as a true strategic partner and successful contributor to business performance.

Subsequently, the study not only helps the author in her professional career but also provides a competitive advantage among the training fraternity of Pakistan. Inductive theory based research findings enriches the author’s knowledge bank and smoothes her career progression as a consultant in the field of learning and development. The paper also facilitates the author in developing customized learning programs on the essential competencies of HR Business Partner for all sectors of Pakistan upon their request.

Notwithstanding the above, the research opens doors for Pakistani HR fraternity to participate in challenging and yet not attainable goal of adjudicating HR as a strategic business partner and with this the resolve to establish their mark in the international world will be strengthened.

**Methods**

This analytical study is of qualitative nature and has been done in two phases. Phase one is consisting of four months detailed/theoretical study of historical and contemporary issues of strategic human resources management for concept mapping whereas phase two covers half day practical discussion (focus group) with Pakistan’s HR fraternity for the application of the theoretical concept of HR business partner and to unlock its real value as a strategic ally.

- **Phase 1:** A comprehensive content analysis has been carried out for the ultimate resolve of the ‘paradoxical image of HR function’. A variety of global researches published in favor and against the above-mentioned argument in international journals has been meticulously reviewed. Besides, books written by the HR authorities on the issue highlighting its significance have also been studied for the qualitative, theoretical and subjective analysis. Moreover, the findings of Global HR Transformation surveys commissioned by Mercer (for Europe, the Middle East and Africa), Chartered Institute of Personnel Development (for UK) and Human Resource Planning Society (for US) have been reviewed to study the lagging position of HR as a business partner.

- **Phase 2:** To gather a wealth of detailed information and deep insight into the paradoxical image of HR function, a well organized focus group was conducted and moderated in a formal setting where HR Head(s) and CEO(s) from different sectors of Pakistan participated very openly. A debate was opened for discussing the current status of HR function in their organizations. Engaging, exploring and exit questions were asked for identifying the major causes of the poor image of HR function that create impediments in its path of becoming strategic business partner.

**Problem**

Although HR function is moving up the priority list of the corporate world of Pakistan but still facing turmoil of poor perception within the organizations. This study is aimed at exploring the relationship between the business strategy and HR function for upgrading HR’s reputation with reference to strategic alliance in the organizational context.

**Sample**

- **Sample 1:** In this study, heterogeneity purposive non-probability sampling technique is followed to include as many as opinions and views contributed by the HR authorities. A broad spectrum of relevant ideas has been taken as a sample from the universe of all possible ideas available in literature. This sample consisted of thirteen research papers and articles, nine books and published results of five international HR Transformation surveys.

- **Sample 2:** For this sample, snowball purposive non-probability sampling technique is employed. This sample included thirteen firms from different sectors of Pakistan (The sample includes a few multi-national firms operating in Pakistan). Twenty firms were asked to participate but only thirteen participated. Their HR Heads/CEOs represented the firms in the focus group to unlock the value of HR as a strategic business ally.

**Procedure**

- **Phase 1:** For the comprehensive content analysis digital libraries such as L.E.J National Science Information Center of the University of Karachi, Pakistan and Chartered Institute of Personnel
Analysis

The meticulous analysis of the responses received via focus group purports that the HR function is struggling in meeting the following four challenges. These challenges seem to be the critical impediment in its way of becoming a strategic ally;
1. Poor perception with the organization.
2. Inability to show tangible or measurable return on investment (HR & Training).
3. Poor Performance Management enforcement.
4. Absence of written/ documented and synchronized HR & business visions.

1. Poor perception with the organization: Perception, naturally, is a very difficult thing to change and hence it has been proven from the analytical study of the literature (conducted in phase 1) that the perception of HR globally is not very good. And in Pakistan it is driven by many factors including the other two above-mentioned challenges. This can simply be explained by the following maxim:
“If one person says you are a horse then feel free to ignore him. If 20 people say you are a horse then it is time to buy a saddle.”

In this context, it is suggested that HR function need to take a simple HR satisfaction survey to find out what does an organization thinks of HR. The survey should cover the following five areas based on an adaptation of the Parasuraman Service Quality (1990).

- **Tangibles/Appearances** – The appearance of physical facilities, equipments, personnel and communication materials the HR Function uses/supplies.
- **Reliability** – The ability to perform HR functions and service dependably and accurately.
- **Responsiveness** – A willingness to help employees and provide prompt service.
- **Assurance** – Knowledge and courtesy of HR staff and their ability to inspire trust and confidence.
- **Empathy** – Caring individualized attention the HR function provides to its line and employees.

Once perception is defined, HR function can then target action to correct it. The key outcome will always be action and the key perception is that HR does not operate on a strategic level.

2. Inability to show tangible or measurable return on investment (HR & Training): Focus group responses reveal that all departments/functions, with the notable exception of HR, use Return on Investment (ROI) when discussing projects, new equipments, promotions, new products and so on. In contrast, HR expects the organization to fund very expensive HR programmes and training events without any talk of a return.

3. Poor Performance Management enforcement: Performance Management is the core responsibility of the HR Function. However, focus group divulges that the essentials of Performance Management such as Recruitment, Development, Rewards, Succession planning, Talent Management and Competencies are often not properly linked with the corporate objectives due to the deficient competencies of HR practitioners/leaders in developing business understanding.

4. Absence of written/ documented and synchronized HR & business visions: The focus group unveils the desire of CEOs and HR practitioners/leaders for a written/ documented and synchronized HR and business visions. Their appetite for the synchronization between the two has helped the author in enunciating generic
and broad based HR vision to support businesses at the strategic level\textsuperscript{16}. The vision developed as a result of an in-depth brainstorming exercise held in the focus group is as under;

“\textit{Recognized as a strategic business partner and catalyst, adding value by providing best HR practices and services helping in achievement of Company’s Vision whilst embedding its values as a way of life.”}

In the light of the philosophical papers studied, HR Transformation surveys reviewed and focus group discussion’s findings reveal the following three facts.

1. HR Function having written/documented vision aligned with business vision and strategy can effectively deliver against aligned HR and business agendas as a ‘Strategic Ally’.
2. HR Function having written/documented vision aligned with business vision and strategy can add tangible value and deliver measurable return to the business through HR activities and interventions.
3. HR Function having written/documented vision aligned with business vision and strategy can provide effective performance management system to the business.

This study signifies that HR Business Partners/leaders need to see the business from several viewpoints and then think creatively and wisely to develop HR function’s vision to deliver above average results for their demanding businesses.

Discussion

Like previous studies, this study establishes that HR systems that are actively aligned with organization’s business strategy can positively impact the organizational performance. Although many organizations have been struggling in their journey to make the concept of HR business partnering workable in their business spheres but couldn’t achieve the desired goal so far. That’s partly because of a lack of understanding about HR function’s operations, metrics and analytics it can deliver. Also, uncertainty over the approach, weak preparation, integration and implementation–along with shortcomings in HR Business Partner’s capabilities–are issues. However, it can be inferred from the responses of the focus group that many organizations in Pakistan are in their teething and budding phases and very few are operating at a competence level of HR Business Partner. Moreover, this study institutes that it is the HR Function that accounts for the improvement in context of its competencies to establish its own vision in line with the organizational strategy.

Even though the name of Personnel Management Department has been evolved into Human Resource Management Function many years ago but the thinking behind this paradigm shift from an administrative role to a strategic partner remains dormant. Unfortunately, for some, the name changed, but the role remained the same. Besides, business speaks and understands the language of finance as defined by the eminent HR authority Dave Ulrich. Therefore, HR must learn to speak finance in order to be taken seriously and make an impact. HR functions vision must cater for the ROTI’s concept to reflect the business performance in numbers.

Conclusion

The research agenda was rooted in unlocking the value of HR as the strategic business partner, which focused on providing a link between strategy, people and business results. The study deduced that a well written/documented and synchronized HR vision with business vision not only helps the function in linking HR objectives with corporate objectives but also establishes and maintains competitive advantage on overall corporate health.

It can be encapsulated that the HR strategic challenges in Pakistan are very much similar to the other countries across the globe. Delivering measurable and tangible return is one of the crucial challenges. HR function needs to demonstrate a real return on its activities and interventions in order to change its poor perception. Otherwise it will get outsourced because there are many outsourcing consultants available in the market who offer their administrative services at cheaper rates with speedy and quality results. Due to the reason, HR has to step up its appetite for ROI information for the training and development budgets to deliver tangible and measurable returns to the business.

The principle implication of this study illustrates that the modern shift towards HR’s strategic approach is still in its infancy. It is hoped that this study will inspire other researchers and provide the impetus for further research into the role of HR as a strategic business partner. More importantly, there is a need for greater strategic focus on the business aligned HR’s vision. Further study in this direction will considerably increase understanding of the HR’s role in strategic decision making. Ultimately, that richer understanding will produce concrete benefits for theories and practitioners alike.

References


Webliography

Glossary
Strategic Partner is a formal ally of an enterprise/ organization that works with the business to add a real strategic value in terms of business performance that fosters innovation and flexibility.

‘HR transformation’ is defined as improvements in efficiency, effectiveness, training and strategic input as well as projects that align the HR department’s activities more closely to the needs of the business.

Strategic Business Partner: A relationship between business and HR function characterized by mutual cooperation and responsibility on a strategic level for the fulfillment and achievement of specified shared business goals.

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**Strategic Human Resources Management:** Strategic HRM is essentially an integrated process that aims to achieve ‘strategic fit’ in accordance with the organizational goals and objectives.


Mercer is a leading global provider of consulting, outsourcing and investment services. Mercer works with clients to solve their most complex benefit and human capital issues, designing and helping manage health, retirement and other benefits. It is a leader in benefit outsourcing. The company is a wholly owned subsidiary of Marsh & McLennan Companies, Inc., which lists its stock (ticker symbol: MMC) on the New York and Chicago stock exchanges.

Mercer’s HR Transformation Survey analyzed responses from more than 40 countries across Europe, the Middle East & Africa. The research builds on trends from previously run surveys in 2003 and 2006. It tracks HR’s endeavours to strategically reinvent itself and anticipate business growth while transforming itself into a more valued business partner.

CIPD – Chartered Institute of Personnel Development is the professional body for HR and people development. The organization have over 130,000 members internationally - working in HR, learning and development, people management and consulting across private businesses and organizations in the public and voluntary sectors. We have links with over 100 similar institutions and associations across the world and are active members of the World Federation of People Management Associations (WFPMA), the European Association for People Management (EAPM) and the International Federation of Training and Development Organizations (IFTDO).

HRPS – Human Resource Planning Society (sponsored Center for Effective Organizations study of HR in large corporations).

The author of this analytical paper is a Certified Corporate Trainer and diversified HR professional. She brings with her extensive HR operations, organizational development, training and development and corporate communications experience. She has conducted several competency based workshops at all levels of management from the platform of QuickBiz. She has trained variety of professionals ranging from senior high officials to youth.

For collecting empirical evidences for this paper, the author had conducted a focus group discussion during her workshop titled HR Operations Master Class. The focus group held on October 7, 2013 at Sheraton Hotel in Karachi where many HR Heads and CEOs participated from different sector of Pakistan.

Several years ago, the author was associated with the Engineering Division of Thal Engineering where she performed key role under the supervision of the Group Director HR in establishing HR Department’s Vision in line with the Business Strategy to serve as an HR Business Partner. Based on this experience, the author facilitated the same exercise in the focus group.

**Annexure**

**Consent to Participate in Focus Group**

You have been asked to participate in a focus group conducted for the research study titled “Business Strategy & HR: Strange Bedfellows or Strategic Ally? (An analytical study to unlock the value of HR as Strategic Business Partner) initiated by Syeda Hoor-Ul-Ain for the partial fulfillment of her M.Phill leading to Ph.D course work requirement. The purpose of the group is to explore why HR function is not operating at a competence level of strategic business partner. The information learned in the focus groups will be used to identify causes that create impediments in the path of HR function in becoming a strategic ally.

You can choose whether or not to participate in the focus group and stop at any time. The focus group will not be tape recorded, your organization’s identity will be kept confidential, your responses will remain anonymous and no names will be mentioned in the report.

There are no right or wrong answers to the focus group questions. I want to hear many different viewpoints and would like to hear from everyone. I hope you can be honest even when your responses may not be in agreement with the rest of the group. In respect for each other, we ask that only one individual speak at a time in the group and that responses made by all participants be kept confidential.

I understand this information and agree to participate fully under the conditions stated above:

Signed: ____________________________ Date: ______________

**GROUND RULES**

1. WE WANT YOU TO DO THE TALKING.
   - We would like everyone to participate.
   - I may call on you if I haven’t heard from you in a while.

2. THERE ARE NO RIGHT OR WRONG ANSWERS
   - Every person's experiences and opinions are important.
   - Speak up whether you agree or disagree.
   - We want to hear a wide range of opinions.

3. WHAT IS SAID IN THIS ROOM STAYS HERE
   - We want folks to feel comfortable sharing when sensitive issues come up.

4. WE WILL NOT BE TAPE RECORDING THE GROUP
   - We don’t identify anyone by name in our report. You will remain anonymous.
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