January 2017

Human Resource Professionals as Strategic Leaders — A Behavioral Opportunity for Improving Information Management

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Introduction

Over the past two decades, the leadership role of Human Resource Professionals (HRPs) has evolved significantly as organizations have felt the pressures of increased global competition, economic belt-tightening, and disruptive innovation (Ulrich & Brockbank, 2005; Pfeffer, 1998; Christensen, 2016.). Although Human Resource Management (HRM) has the potential to play a significant leadership contribution in transforming organizations, that leadership role has frequently been underutilized and is often the result of HRPs failing to fully understand their strategic purpose, the tools required to be truly effective, and the underlying behavioral nature of information management (Caldwell, *et al.*, 2011).

The purpose of this paper is to identify how HRPs can contribute a leadership role in the behavioral elements of HRM information management in the modern organization. We begin by reviewing key strategic tasks of HRM as identified by leading scholars and practitioners who have described that evolving behavioral role. We then identify problems which HRP leaders must address to enable organizations to more fully utilize HRM information in expending their human capital. We present eight, behaviorally-related propositions about HRM information management that can enable HRPs to enhance the strategic effectiveness of their organizations. We conclude by identifying four contributions of this paper to HRM literature and the leadership role of HRPs.

The HRM Strategic Tasks

In serving staff and line departments and functions within an organization (Gomez-Mejia & Balkin, 2015), HRM has been increasingly viewed as an underutilized resource for organization success. Although HRPs have been encouraged to increase their leadership contribution, a 2015 study declared that HRM is "largely underprepared to address the issues critical to achieving the most important enterprise goals, including innovation, workforce strategy, and leadership" (Bression, DiRumaldo, & Osle, 2015, 1). Other scholars have agreed (cf. Ulrich, *et al.*, 2012) noting that fundamental leadership-related HR competencies must be acquired for organizations to compete successfully in a competitive global arena. Becker and Huselid (1999) indicate that the following three key strategic

functions are critical for HRPs to contribute to a primary leadership role: 1) establish an organizational culture which is aligned with the strategy of the organization, 2) demonstrate operational and professional competence in conducting key HRM tasks, and 3) create an HRM structure and capability to serve other departments as business partners who understand the needs of those departments.

Caldwell and colleagues (2011) describe HRP leaders as highly committed ethical stewards who owe a broad set of duties to their organizations and to the individual departments therein. They further cite six principal leadership responsibilities which characterize such leaders as:

1) complying with correct principles (e.g., best HRM practices and leadership skills);
2) seeking to achieve both the best interests of the organization and the welfare of employees;
3) creating partnership relationships with employees in pursuit of noble goals;
4) establishing an organization that emphasizes constant learning, the pursuit of truth, and continuous improvement;
5) serving employees and treating them as valued "Yous" rather than impersonal "Its"; and
6) giving employees credit for their achievements and accepting appropriate responsibility for ineffective systems problems that create errors.

HRPs must evaluate their success in terms of their ability to achieve strategic alignment relative to their own firm's performance, rather than simply seeking to benchmark firm efficiencies compared to the results of other organizations (Becker & Huselid, 2003, p. 57). HRPs must clearly understand the complex nature of an organization, how employees at all levels add value, and how the HRM role can create systems and processes that fit within an organization's context and purposes to optimize the achievement of that organization's mission and goals (McLean & Collins, 2011).

HRPs play a leadership role which must be measured based upon their success in helping other departments as well as the entire organization to achieve its goals — in sharp contrast to the roles performed by many HRPS who function solely as personnel technicians, benefits administrators, or hiring resources, abdicating their potential leadership contribution. While technical HRM tasks are each incrementally important, they fail to address the leadership obligation to contribute to the effectiveness of an organization in achieving its strategic mission and effectively utilizing human capital as principal resources (Becker & Huselid, 2005).

The HRM Information Management Contribution

In this section, we explain the critical role of the HRM information management system (HRIS) as a behavioral resource which enables a firm to achieve its strategic priorities. An HRIS seeks to integrate HRM activities with information technology into a common data base, not only to improve the ability to analyze that information, but also to track key indicators of organizational performance associated with managing people and addressing the primary factors that motivate human performance (Mathis & Jackson, 2016 p. 36). We examine five key behaviorally-related leadership problems which HRIS systems must address in making strategic contributions to a firm and offer eight important propositions to test as HRIS systems address those primary problems.

Understanding Value Added

In achieving the key strategic goals of any organization, employees at all levels must clearly understand how their individual contributions create wealth or add value in accomplishing an organization's mission (Coyle, *et al.*, 2016). At each step in the value chain, employees add worth to the service or product being provided to customers and HRM staff must clearly understand that value-added process in order to support the staff and line functions of an organization (Gomez-Mejia, Balkin, & Cardy, 2015, Ch. 2). The job analysis process can clearly assist employees in understanding their workplace roles and tasks performed. But job descriptions and performance measurement systems can also be powerful tools in helping each employee to understand his or her role in recognizing how value is added and wealth created for an organization (Gomez-Mejia, et al., 2015, Ch. 7). HRPs play a key leadership role when they integrate HRM systems so that employees at all levels fully understand how they contribute to an organization's ability to create value and achieve its strategic mission.

Aligned performance measurement systems, such as the team compensation program developed by firms like NUCOR Steel, equate value added with compensation and recognize that teamwork and partnering play a major role in the creation of organizational wealth (Pfeffer, 1998, 44-47). Boudreau and Berman (1991) explain that understanding the relationship between performance measurement and wealth creation has enabled supervisors and employees to increase their ability to achieve the strategic objectives of a firm and its value-creating capacity. By helping employees and supervisors to understand this relationship, HRPs enhance the focus of a firm, its employees, and its respective departments in directing their efforts to the accomplishment of key tasks essential to creating this value added.

As Lancaster (1995, B1) observed more than twenty years ago, many organizations fail to recognize how their employees contribute value and treat those employees like raw materials or commodities, rather than human beings. Understanding where employees fit in the strategic functioning of a firm and the training that is required to help each employee to comprehend his or her respective roles more clearly are valuable contributions that HRPs make to enable the modern organization to compete in today's global marketplace. Consistent with the importance of that employee contribution to value added, we present our first two propositions:

> P_1: *HRPs who create information systems that assist departments and employees to measure employee contributions to wealth creation in the supply chain enable their firms to improve performance more than HRPs who do not create systems that measure value added.*

> P_2: *HRPs who create information systems that assist departments and employees to identify where training will improve the ability of employees to add value in the supply chain enable their firms to improve performance more than HRPs who do not identify those training opportunities.*

Correlating Roles with Expectations

A critical advantage of quality information systems is their ability to improve the communication process between managers and supervisors (Haines & Petit, 1997). This communication connection is critical to the strategic alignment of organization tasks and keeping employees focused on their primary responsibilities (Grensing-Pophal, 2015). A key

source of this important information is derived by asking employees and managers to independently rank the most important performance outcomes of job responsibilities and then compare those lists and their relative order (Lawson, 2007). Typically, the importance of key outcomes is not initially understood and this comparison process eliminates employee misunderstanding about strategic priorities. Wise leaders recognize the value of this outcome comparison process and use it as a means for not only improving communication, but for identifying how the supervisor can help employees to be more effective.

The role of the HRP includes assisting each manager or supervisor in the process of conducting effective coaching interviews, showing them how to create a list of key outcomes by using the job analysis, and emphasizing the importance of creating a coaching partnership as part of their departmental culture and climate (cf. Hamlin, Ellinger, & Beattie, 2008). The role of coaching for organizational supervisors builds employee trust and commitment and demonstrates that the organization is committed to employee success in addition to improving alignment and the content of internal communications (Joo, Sushko, & McLean, 2012). A fundamental insight here is that creating an effective HRM management information system is as much behaviorally-oriented as it is data-oriented. Consistent with our research about the alignment of employee and supervisor roles, we offer our third proposition:

> **P₃:** *Companies with HRPs who create information systems that engage supervisors and employees in a coaching partnership to identify shared perspectives about job outcomes will enable their companies to be more profitable than companies that do not create such information management and coaching systems.*

Aligning Strategic Contributions

The strategic success of an organization typically reflects the extent of the alignment of that organization's HRM systems, processes, practices, and values with the organization's mission and values (Pfeffer, 1998; Caldwell & Floyd, 2014). High performance and high commitment organizations build trust and increase alignment when employees are treated as valued partners (cf. Beer, 2009; Block, 2013). HRM information management systems that generate information about both the behavioral and the statistical information related to the strategic objectives can be useful in measuring individual employee judgment and team cooperation in addition to performance production, unit cost, and return on investment information (Ellinger, *et al.*, 2009; Whitmore, 2010). Only when those systems are properly aligned will an organization send clear and consistent messages to their employees.

Using feedback about employee, department head, supervisor, and top management team satisfaction with the quality, as well as the efficiency, of key behavioral indicators enables an HRP to act on that information to develop improved HRM systems and processes; improve the quality of supervisor, top management, and employee training; and focus the organization on aligning its espoused values with how employees are actually treated (Schein, 2010). Because the HRM role is a support and service role, the wise HRP acknowledges that (s)he owes each employee a "covenantal" set of duties and obligations to help that employee to achieve his or her highest potential (cf. DePree, 2004). Treating employees as commodities — or as "Its" rather than as valued "You's" — rather than individual persons destroys trust, lowers commitment, undermines performance, and stagnates creativity and extra-mile organizational citizenship behavior (see Lancaster, 1995;

Pfeffer, 1998; Buber, 2013). Consistent with this research about measuring strategic contribution, we suggest two more propositions:

P₄: *Companies with HRM information systems that generate performance measures that align human behavior and statistical formation in making strategic HRM decisions are more profitable than companies that do not align their HRM information systems in that manner.*

P₅: *Companies with HRM information systems that are used to assess employee attitudes about organizational values and that align HRM values with the strategic values of the organization are more profitable than companies that do not align their HRM information systems in that way.*

Generating Performance Information

The reality in generating performance information is that there is a natural tendency to focus on 1) information that is already readily available, and 2) information that can be quantified — even when data is not necessarily relevant to what is a valid measure of the goal or goals to be achieved. Stephen Kerr's (1995) classic paper, "On the Folly of Rewarding A While Hoping for B," is an ideal example of this common measurement error. Key strategic information for organizations is often behaviorally-oriented and subjective in analysis. For example, a firm often succeeds because it meets the needs of its customers and creates a reputation for unfettered trust over the long term (Collins & Porras, 2004) as opposed to manipulating accounting figures to create a quarterly balance sheet that actually misrepresents its financial position (cf. Feng, *et al.,* 2011).

Creating useful HRM-related performance information begins with asking the right questions and confirming that the process of measuring desired information is valid and reliable (Wall, *et al.*, 2004). Addison and Belfield (2001) acknowledged that subjective data is commonly chosen in evaluating HRM performance outcomes. Performance measurement systems in many organizations are notoriously deficient, as are performance-based compensation systems (Deming, 2000). Many such systems promote deception, massaging of information, and self-destructive behaviors that can substantially misrepresent problem areas to management but that are built into systems that are self-serving for those who are responsible for reporting (cf. Kohn, 1999; Kerr, 1996; Callahan, 2004). Consistent with the research about the challenges in generating valid and reliable HRM-related performance information, we offer our sixth and seventh propositions:

P₆: Companies with HRM information systems that generate performance measures that are not carefully designed to confirm the validity and reliability of those measures, consistent with an organization's strategic goals, are likely to create invalid measures of organization performance that distort actual measures of effectiveness.

P₇: Companies with HRM information systems that focus entirely on statistical measures of organization performance are likely to create invalid measures of organization performance that distort actual organizational wealth creation.

Distributing Key Performance Information

According to Pfeffer (1998) and Beer (2009), a critical element of building high performance organizational cultures is the degree to which firms share key performance information with employees organization-wide. For many years, firms adopted a "need to know" basis for

sharing performance information with employees, assuming that most employees were 1) not interested in, 2) not able to properly understand key information, or 3) prone to inappropriately share information with others outside the organization. Information was commonly viewed as "confidential" and "proprietorial," and firms tended to be secretive in what they shared with their employees (Pfeffer, 1998).

In sharp contrast, today's employees need to be thought of as "owners and partners" in the process of creating wealth, going the extra mile, being innovators, and creating new insights as members of learning organizations (cf. Christensen, 2016; Block, 2013; Senge, 2006). For organization members to be truly effective, they must be empowered, trusted, and provided with the information and resources required to perform their jobs effectively, stay in touch with innovations in their field, and track organizational wealth creation and cost savings opportunities within their scope of work (Beer, 2009). Consistent with this need for sharing information with employees organization-wide, we offer our eighth proposition:

> **P₈:** *Companies with HRM information systems that share key performance information with employees throughout their organizations are likely to be more profitable than similar organizations that do not share such information.*

Contributions of this Paper

With regard to the important task of creating and utilizing management information in HRM, we argue that this paper contributes four important maxims:

- *We reaffirm the need for reevaluating the importance of the HRPs leadership role in using behaviorally-related management information as a critical strategic element of effective organizations.* In making this affirmation, we emphasize that HRIS information must match the behaviorally-related leadership strategic functions of HRM by 1) creating a management culture aligned with the strategy of the organization, 2) developing HRM operational and professional competence in conducting key HRM tasks, and 3) designing an HRM structure and capability to serve other departments as business partners who understand the needs of those departments (Becker & Huselid, 1999). We note that these three leadership roles are often not effectively performed by many existing HRPs in the modern organization.

- *We identify eight testable propositions associated with HRPs and HRM information management which are of value to both practitioners and scholars.* Although much has been written about HRM and the role of HRPs, the evidence is clear that many organizations give lip service to the importance of their employees, but often treat them in a manner which is both counterproductive to the strategic goals of the firm and harmful to employees. Understanding the behavioral implications of information management is critical to effective organizational leadership.

- *We emphasize the behavioral nature of HRM management information and the importance of integrating information management systems with important behavioral principles which have been proven to be valid.* An increasing body of research associated with organization improvement confirms that treating employees as valued owners and partners is essential in integrating managing information and empowering employees (Block, 2013; Christensen, 2016; Beer, 2009; Cameron &

Spreitzer, 2012). This evidence clearly affirms the importance of value-based, highly ethical, and trust-based leadership.

- *We affirm the importance of HRPs as leaders and key actors in the strategic role of HRM if organizations are to be optimally effective.* The effective utilization of employees is often misunderstood in the modern organization as employees are viewed as cost centers rather than as the key contributors to organizational wealth creation. Although HRPs have the opportunity to make profound positive impacts on their organizations, they must first appreciate and apply the key tasks associated with strategic information management to maximize that contribution. The HRP role is inherently a behaviorally-based role that is crucial to building organizational commitment and morale.

Conclusion

The roles of HRPs in the strategic success of any organization make a significant behaviorally-related leadership contribution that serves the entire organization. It is ultimately dependent upon evidence-based, behavioral information that measures and assesses strategic outcomes associated with HRM's three key priorities. Ultimately, the HRM function serves a critical behavioral role in understanding the degree to which an organization's systems, policies, and processes create trust and commitment with that organization's employees. HRPs are most effective in their strategic contribution when they understand the value of management information and can evaluate and articulate that information as they assist management leaders and the Top Management Team.

HRPs do far more than oversee personnel-related systems and processes. Their role encompasses the ability to clearly understand the ways in which employees add value to the organization and the importance of creating an organizational culture that treats employees as valued partners. Understanding the organization's mission, identifying the challenges facing employees, and developing information systems that facilitate achieving key outcomes are necessary elements of HRM systems. Those elements help to create a positive environment that promotes employee growth, engages employees as full partners, and demonstrates a commitment to employee needs.

Utilizing management information to accomplish those objectives is a critical part of the successful functioning of HRM systems and wise HRPs will strive to identify the key behaviorally-related information that needs to be understood, measured, and evaluated to enable organizations to optimally achieve their strategic goals. But HRPs will only be successful as contributing organizational leaders when they fully appreciate their strategic leadership contribution.

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