

Strategic HR

*A companion guide to the SPHR
study course*



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Defining Strategic HR

First, a definition.

Human resources planning is a process that identifies current and future human resources needs for an organization to achieve its goals. Human resources planning should serve as a link between human resources management and the overall strategic plan of an organization.

Got it? Okay, so keep that tucked away as you read through this short intro for a case study that is highlighted later.

In retrospect, it was inevitable. Even being relatively inexperienced in how the business world works, I knew something was wrong within my first few weeks on the job. Looking back now it's pretty easy to discern the issues that were present.

The leadership wasn't engaged across the board, but due to the work I was doing in HR, the lack of leadership for my team was the most painful to experience. The VP, while a nice person, was not interested in making improvements or fixing issues. Every time I raised an issue or offered a solution, the response was "get back to work, we have too much to do to focus on this stuff."

Over time the issues spiraled out of control, and eventually I left for another position less than two months before the company was acquired and shut down.

Take a moment and consider the comment I received from the VP of HR:

Get back to work, we have too much to do to focus on this stuff

Wow. That pretty much ignores the key concepts outlined in the definition above. Now that we have set the stage, let's move along.



FYI: I do a deeper dive into the specific problems in the case study at the end of this guide. I have changed the names to protect anyone involved.

So, what is strategic HR, exactly? It's a term those of us in the HR field hear often, but we don't always get a nice, tidy definition attached.

And even with a definition, it's sometimes hard to transition that to an actual implementation. In other words, I know what it is, but I want to know what it looks like in action.

Here's a slightly different way of defining strategic HR that I have used lately.

There's a concept in learning and development called **Bloom's Taxonomy of Learning**. Let's walk through the following levels as I explain to you how this ties in with HR strategy:

- Knowledge
- Comprehension
- Application
- Analysis
- Evaluation
- Synthesis

There are six levels in the taxonomy, moving through the lowest order processes to the highest:

Knowledge

Exhibit memory of learned materials by recalling facts, terms, basic concepts and answers

- Knowledge of specifics - terminology, specific facts
- Knowledge of ways and means of dealing with specifics - conventions, trends and sequences, classifications and categories, criteria, methodology
- Knowledge of the universals and abstractions in a field - principles and generalizations,



theories and structures

Questions like: What are the organizational benefits of offering employee benefits?

Comprehension

Demonstrate understanding of facts and ideas by organizing, comparing, translating, interpreting, giving descriptions, and stating the main ideas

- Translation
- Interpretation
- Extrapolation

Questions like: Compare the organizational benefits of offering an HSA or a PPO medical plan.

Application

Using acquired knowledge. Solve problems in new situations by applying acquired knowledge, facts, techniques and rules in a different way

Questions like: What is the best type of medical plan for the company to offer?

Analysis

Examine and break information into parts by identifying motives or causes. Make inferences and find evidence to support generalizations

- Analysis of elements
- Analysis of relationships
- Analysis of organizational principles

Questions like: List three ways the organization benefits from offering health insurance to employees and which have the most financial impact. Provide proof/calculations supporting your

Tactical vs. Strategic HR

The first three steps in this list represent "tactical" HR. There's nothing wrong with this in-the-trenches stuff, but it's critical to differentiate it from truly strategic HR.

The final three steps in this list represent the strategic HR level of awareness we're looking for. Consider your level of HR competence--do you know, or do you *analyze*? Do you comprehend, or do you *evaluate*? While not perfect, it's a quick and easy check.



determination.

Evaluation

Present and defend opinions by making judgments about information, validity of ideas or quality of work based on a set of criteria

- Judgments in terms of internal evidence
- Judgments in terms of external criteria

Questions like: Do you think organizations should be required to offer health insurance? Why or why not?

Synthesis

Builds a structure or pattern from diverse elements; it also refers the act of putting parts together to form a whole. Compile information together in a different way by combining elements in a new pattern or proposing alternative solutions

- Production of a unique communication
- Production of a plan, or proposed set of operations
- Derivation of a set of abstract relations

Questions like: Create a plan to migrate the existing PPO health plan to a high deductible plan with an HSA. Provide an analysis of the pros and cons of this new option as well as a change management plan to share with employees.

If you like this concept and want to see me discuss the topic, there's a short video below:



Click to play



In this guide we'll go through three of the key pieces of strategic HR to help you understand not just what it is, but what it looks like in action. In my experience the critical last step we miss is how to identify opportunities in real life, so I'll try to help you with that.



Identifying the Landscape

They say that knowing is half the battle, and that's true in HR strategy as well. If we're going to create solutions, we need to identify the problems first. The true challenge usually comes in two key ways:

- The problem requires information outside the HR "circle"
- The root of a problem is not always obvious

Getting Non-HR Data

Sometimes the info we need isn't our own. So how can we get it?

- Build win-win relationships with finance, operations, marketing, etc.
- Be able to find and understand sources of data (profit and loss statements, balance sheets, sales reports, etc.)

Determining the Root of the Problem

For instance, how do you identify high potential employees for leadership opportunities? Do you only look at currently high performing employees? If so, you're missing a segment of your workforce that would be well-suited to leadership roles. The most common example of this type of error is when we mistakenly promote a high-performing engineer to be the leader of other engineers. In reality the person was a great subject matter expert but a poor manager, and ultimately the assignment fails. We need to ensure that when we're identifying those leadership candidates that we look across the board.

Unfortunately there isn't a single step litmus test to help with this--it requires some practice, some intuition, and some luck.



Begin looking at problems (such as the succession management one we just discussed) creatively. Set your initial assumptions about the problem and solution aside and force yourself to identify three or four other options to consider. You'd be surprised how often an alternative or better solution presents itself when you do that.

The External Environment

One of the key concepts I drill into my students when teaching about strategic HR is the importance of looking outside the organization when evaluating the business landscape. Making decisions based on internal information, or data that exists within the organization's walls, is one thing. But the larger your organization is, the more important it is to open up to external inputs and information. In reality, the world outside your walls is bigger than what's going on inside, so those factors should be considered when making decisions.

We have two basic tools for this at an organizational level:

- SWOT Analysis
- Pest Analysis

SWOT

To the right, you will find a basic Strengths, Weaknesses, Opportunities, and Threats (SWOT) model. This has long been used as a way to identify some of the key pieces that affect a business strategy. The two key items we want to look at right now are Opportunities and Threats, because they are external to the organization.

SWOT ANALYSIS

	Helpful to achieving the objective	Harmful to achieving the objective
Internal origin (attributes of the organization)	S Strengths	W Weaknesses
External origin (attributes of the environment)	O Opportunities	T Threats



While Strengths and Weaknesses are important and need to be examined, I'm going to assume that you have already done that on some level. If not, that's the best place to start this type of analysis.

Opportunities and Threats, as the chart shows, are external. They occur and exist outside the company. An example of an opportunity might be a readily available labor market. A threat could be a competitor offering higher wages for the same types of positions.

It is critically important when developing an HR strategy that you understand the value of each of these four factors. The true test of your planning capability comes when identifying and capitalizing on opportunities and mitigating any threats to the extent possible.

PEST

The PEST Analysis is one of many external models for helping us take the broader world into consideration in our decision making. It stands for Political, Economic, Social, and Technological. The purpose is to give broader context to decisions and help us see how each of these (or other sweeping changes outside the organization) can impact our strategies over time.

We've discussed the external environment, but I just wanted to give a few examples of how this can affect us before moving on:

- Low unemployment rates: employees are more likely to leave if unhappy because jobs are easier to get
- New technology advances: 3D printing options are going to put pressure on physically-laborious jobs over time due to the ease of creating new products
- New legislative agenda: different parties bring different flavors of business climates, often with new laws, regulations, and requirements

If you pick up nothing else from this section, please know this: there is a big world out there. The more you understand and account for external influences to your business (and HR) practices, the more strategic you'll be.



Leading the Organization

Let's get a little crazy. Instead of merely discussing how we should be just following the directions of the leadership, let's talk a bit in this section about how we should be leading the charge, directing strategy, and creating an environment where the business, and its people, can succeed.

Creating an Effective Organization

In a recent survey, 76% of CEOs said that they value their close relationship with their HR leaders. That's a major vote of confidence in us and our ability to influence the organization. So why do other studies show that a mere 15% of our time is spent doing strategic activities?

There are multiple reasons, but one of the key ones I have seen time and time again is the credibility problem that exists.

Lack of credibility will kill virtually every HR initiative before it even starts.

In the next section we'll discuss that almighty credibility factor and how to earn the trust of the leadership and the organization.



Establishing Credibility

Let's take that 76% figure off the table, step back, and look at it from a different perspective. Imagine you started a new job today as the VP of HR. The rest of the leadership team has never respected HR or its contributions to the business, and you have an uphill battle to get things accomplished.

The first weapon you need is credibility. And the place you get it is from those organizational leaders.

In the past I have been able to solicit ideas from leadership on what they thought HR should be supporting and then went beyond their expectations to provide outstanding support, driving up their estimation of HR's value. For instance, one executive asked me to create a candidate pool for hard-to-find positions. I not only created the pool, but I also had two qualified individuals warm and ready for an offer the next time we needed one, saving time, money, and stress.

That's a small example, but the "let them tell you how to be strategic" is a way to get some quick credibility and start fast. The problem with this approach is that you can't spend your entire career asking others what they need--you need to take the reins and lead the function yourself.

How? *By knowing the business.*

Supporting Core Organizational Competencies

The biggest piece of advice I've given for years is that HR needs to know the business.

Why?

Because that's how we deliver our best service to fit the needs of employees, managers, and customers.



If you understand the business and how it operates, you'll have a much better chance of designing processes, offering benefits, and coaching performance in a way that supports the organizational objectives.

Consider these questions:

- How does your organization make money?
- What is the biggest concern of front line supervisors?
- What motivates your line staff to do their jobs every day?
- What causes your CEO to lie awake at night?
- What incentives drive the best performance for your people?
- What is the pain point your company's product/service is trying to solve for customers?
- What is your marketing, finance, sales, or operations VP most worried about?

If these questions seem a bit foreign to you, don't worry. They take a little time getting used to, and over time you'll pick up more that are specifically applicable to your business and the needs of employees and customers.

I'm amazed at the HR practitioners out there that have gotten along without truly knowing the business and how it operates. Once you know the answers to these and other similar questions, you can begin to develop HR practices that support the needs of the business in a seamless manner.

For example, let's say your VP of Sales is most concerned with the structure of compensation as it stands today. She believes that it's not doing an adequate job of compensating the high performers, differentiating them from other sales staff, and helping to retain them long-term.

So you develop a new compensation plan that is focused on solving those challenges, and you roll it out to a small pilot group of sales staff. You measure the results after a test phase, and you work with the VP to determine if the problems were solved (or not) and how to proceed. That's a simple, yet powerful, example of knowing the needs of the business and creating solutions to meet those needs.



Strategic HR Planning

Alignment: The Name of the Game

In the last section we touched on the importance of lining up our HR activities with the needs of the organization on an ad hoc basis. To truly have a long term strategic impact, we need to be doing that in a more systematic manner.

Virtually every organization has a strategy. If not, we're left with the ad hoc options or the possibility of trying to help leadership create a strategy. However, let's go with the assumption that the company has a written strategy in place.

You should print a copy of that strategy (and the strategic objectives), pull out a highlighter and red pen, and start marking the heck out of that thing. Look for areas that HR can support or even lead the strategic initiatives that the organization's leadership has decided to focus on. Even if you can't pursue all of the potential objectives in the end, this gives you an opportunity to highlight the various options and review them with the leadership team to get a sense of the priorities across the organization (again, we're back to understanding the business and its goals here!)

Here's an example of how that works:



Strategic Objectives and Corporate Goals

Financial

1 Revenue Growth: Grow business 40% per year.

1.1 To generate sales of \$1 million by the end of the year.

2 Productivity Improvement: Maintain an acceptable ROI on all projects.

2.1 To increase average billable hour factor.

2.2 To fund online product development with a stated percentage of monthly net profit

Customer

Current Customers

New Customers

Referral

3 New Customers: Increase new customer base.

4 Current Customers: Retain current customer base.

3.1 Obtain one new client per day who has purchased Basic Package.

3.2 Develop understanding of technological issues.

4.1 Obtain 4 new clients per month who have purchased Premium Software package.

4.2 To provide increased value to all existing online customers to enhance "stickiness."

Programs

5 Product Management: All web-based strategic planning sites and supporting products meet operational excellence guidelines

5.1 To develop webinars
5.2 Update software "how-to" books.

5.3 Optimize websites by end of the year

5.4 To finalize New Software Plan with summary statistic pages

6 Operations Management: Develop and maintain an infrastructure that allows for a virtual office and efficient overhead.

6.1 Set up computers to be accessed from any destination.

6.2 Define all procedures and process in writing in order to support projected growth.

7 Technology Management: Continue to develop technology innovation.

7.1 Develop version #2 of the web-based planning system.

8 Community Involvement: Establish a program that contributes 10% of net profit and staff time.

8.1 Develop an effective scholarship program for socially/community focused entrepreneurs.

9 Customer Management: Execute and maintain a CRM process that is producing results

People

10 Training: Continue to learn and adopt best practices about strategy and strategic planning.

10.1 Create strategic planning library and resource center

10.2 Attendance at best practice conference by management.

11 People: To be the employer of choice in our field.

11.1 Retain services of public relations firm to develop industry presence
11.2 To support individual staff personal development plans.

12 Culture: To align incentives and employee rewards with staff performance.

12.1 Increase the number of innovative ideas through an incentive program.

- 1) Are sales incentives in place? How can we drive revenue in HR?
- 2) What would be the impact of hiring admins and allowing experts more billable time?
- 3) Do we have an incentive for sales staff reaching new customers?
- 4) Do we also have incentives for retaining existing customers?
- 5) Do we have talent on staff to meet these goals? If not, where do we find them?
- 6) Create processes/policies that support virtual workers
- 7) Prepare to offer training to support new technology implementation
- 8) Create a "suggestion box" for staff to nominate charitable organizations. Offer paid volunteer hours?
- 9) Ensure customer relations manager performance is based on results, not just the CRM process
- 10) Increase training budget 10%
- 11) Create an employer branding campaign for talent acquisition
- 12) Tie performance objectives with rewards and incentives structure



Strategic HR Planning

Micro Case Study

Case Study:

As I mentioned at the beginning, this is the story of a business that failed. I firmly believe that a major part of that failure was the inability or unwillingness to use any strategic HR planning to influence the direction of the organization. The situations are real, but the names have been changed to protect those involved.

Background

Care Service was a 25+ year old nonprofit that had grown fairly steadily over time in terms of revenue and employee size to its current level of approximately 600 staff. The company was led by Mark, the CEO, who had held the position for the 25 year history of the organization. In the fall of 2010 Mark met with all of the managers of the company and said that he needed some time to “focus” and “relax.” He said that the company was still under his leadership and that he would be back “soon” to help shepherd the company into the future.

Fast forward to spring of 2011, and nobody had seen Mark other than the times he came into the office to fire off a few emails or show off his new Harley Davidson motorcycle. The vice presidents were trying to hold things together, but they were facing their own issues.

Accounting-The accounting staff was being criticized across the organization for slow performance, a lack of innovation, and some fairly costly mistakes. For example, one senior manager left the company and accounting staff did not disable the employee in the payroll system, allowing the former employee to receive her salary for over a month before the error was discovered.



Service-One reason for the high turnover was the constant investigation process leading to employee terminations for failing to care for clients appropriately. The service VP was looking for opportunities to shore up the problems and make the customers the key focus for the business.

HR-The HR staff had grown to its largest size, but the VP was firmly against any changes to the existing structure or processes. All recruiting was done with newspaper postings. All applications were handwritten on paper forms. All processes were paper-based. Turnover was averaging 50% per year.

Solutions Presented

Over time there were attempts to reverse the downward spiral of the organization that cut across the functional areas.

Accounting-In order to ensure that data was transitioned to accounting/payroll in a timely and accurate manner, the HR team implemented a new system that pushed data over to the accounting program. Within a few weeks someone on the HR team learned that the accounting staff was still inputting all data, even though anything they entered was being overwritten on a biweekly basis. One of the accounting staff spent 40 hours a week entering information that was unnecessary.

Service-The VP of service championed a new initiative and was able to obtain the budget to bring in a consulting group to train staff on something they called "Client Centered Focus." The program cost over \$75,000 to implement, but the majority of workers were still being compensated at a rate of \$7.50-\$7.75 per hour. Employees were still unhappy, and in fact they were even more upset due to seeing the heavy spending with no discernable impact to their positions.

HR-Several members of the HR team saw the writing on the wall and began to research and offer suggestions as to how they planned to stay afloat. Several suggestions were made to help alleviate issues and sustain the company:

- Offer to pay employees who proactively get a certification core to their job responsibilities (denied)



- Do a turnover analysis and develop an action plan to correct any voluntary turnover issues with regular focus and attention (denied)
- Implement an applicant tracking system to save time and effort on posting jobs, collecting resumes, and scheduling interviews (denied)

Results

Unfortunately in the winter of 2011, Care Service shut down and all 600 staff lost their jobs.



Conclusion

This short guide is meant as a companion to help you more fully understand the world of strategic HR and the role we play in supporting, and often driving, business objectives. If you have questions or comments about this guide, feel free to contact me at any time at ben@upstarthr.com

Thank you!

