

## Whitepaper

---

# Being Strategic: *How Human Resources can deliver business value*

---



*CourageousHR works with HR leaders and Communities to identify their distinctive contribution and then make it, both culturally and operationally, an organisational reality.*

### Contact Details



+ 44 (0) 845 862 1767 or [enquiries@courageoushr.com](mailto:enquiries@courageoushr.com)



[www.courageoushr.com](http://www.courageoushr.com)

## Being Strategic: How Human Resources can deliver business value

Despite popular acceptance within the HR profession and much research, there remains little awareness and agreement as to what 'being strategic' actually means, let alone how it can (or should) be linked to delivering business value.

'Strategy' and 'strategic' are much misused words. The purpose of this Whitepaper is to:

- set out how 'being strategic' actually can encompass personal knowledge, personal characteristics (including competencies) and a process
- demonstrate what 'being strategic' can practically mean to an HR professional and their Community
- showing how an organisations strategy can be powerfully linked (and therefore measured) to HR Deliverables.

### Context

While there are many definitions of strategy, a practical one is *"the pattern or plan that integrates an organisation's major goals, policies and action sequences into a cohesive whole"* (Quinn).

A strategy can occur at different levels within an organisation e.g. corporate, business and function; as well as apply to different and often cross-level groupings e.g. geographical.

The purpose of a strategy is to *"...help marshal and allocate an organisation's resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents"* (Quinn). In other words, a strategy can

- Provide a roadmap to the future
- Articulate an organisation's direction
- Create a benchmark to assess alternatives and prioritise resources
- Provide a measure of success
- Create a psychological sense of purpose for employees

### Strategic Knowledge

The first element to being strategic is having an awareness of and being able to apply strategic models in an organisational context.

While there are hundreds of different strategic models – it is the second most popular management topic after Leadership – in CourageousHR's experience it is best to focus models that provide a balance of;

- *Simplicity* - enables their use with audiences that have a variety of strategic knowledge

- *Insightfulness* - provides for understanding of both an organisations' existing and potential strategy, as well as highlighting how tensions are created within an organisation which is made up of a number of different businesses
- *Practicality* - enables agreement to be turned into actions
- *Common business language* - allows audiences from different cultures and backgrounds to communicate in a common language
- *Academic support* - to ensure the concept is well grounded.

However, the use of any strategic model must always be tempered by the recognition that any organisation of any significant size is in itself complex and typically functions within complex environments. The purpose of such strategic models is therefore to support management decision making rather than providing a 'perfect' answer.

CourageousHR typically uses two academically well supported models known as the *Product Life Cycle* and *Strategic Focus* approaches. They both fall under the Contingent School, which recognises that the business world is neither static nor predictable and therefore seeks to explain and guide strategy dependent upon certain factors holding true, as opposed to 'best practice' models which in many ways are simplistic approaches to strategy as they assume a more stable and consistent view of the business world. Further information can be found in an accompanying Whitepaper.

In summary, strategic knowledge allows the HR Professional to draw upon a body of well tested research and communicate in a language that can be both readily understood and turned into action by all stakeholders.

## Strategic Orientation Characteristics

The second element to being strategic is demonstrating a set of personal characteristics that enables a HR Professional to apply their strategic knowledge in an organisational context. This 'strategic orientation' can be broken into personal traits, behaviours (or competencies) and cognitive skills.

### *Strategic orientation traits*

HR Professionals who have a strategic orientation will typically show the following set of personal traits;

- **Inquisitiveness:** Genuine interest in what's going on in their business, organisation, industry and wider business environment.
- **Flexibility:** The ability to adapt approaches and shift ideas when new information suggests they need to do so.
- **Future focus:** Constantly considering how the conditions in which their business and organisation operates may change in the coming months and years. They look for opportunities that may prove valuable in the future—as well as emergin /potential threats that may be on the horizon.
- **Positive outlook:** Challenges are viewed as opportunities and they have a belief that success is possible.

- **Openness:** Welcome new ideas from their managers, peers, employees, and outside stakeholders such as customers, suppliers, and business partners. They take criticism well and do not react in a defensive manner.
- **Breadth:** Continually work to broaden their knowledge and experience in able to see connections and patterns across seemingly unrelated fields of knowledge.

In addition, HR Professionals also need to demonstrate specific behaviors and attitudes, which we have grouped into a meta-competency called *strategic orientation* competency.

### **Strategic Orientation Competency**

At CourageousHR we define the strategic orientation competency as;

*The ability to think beyond their own area. Strategic thinking can be applied to a function or process, a product and market, a business unit or a corporate entity involving various businesses. This competency requires complex thinking abilities, incorporating both analytical and conceptual abilities.*

- *Low levels* - They know their own area and can define opportunities for long-term change or development.
- *Moderate levels* - They develop strategies from within functional or corporate strategies.
- *High levels* - They create new, long-term vision for complex organizations.

*Detailed on the following page is a summary of the Strategic Orientation Competency*

For a HR Professional to have a strategic orientation they need to:

- Seek other people's opinions
- Ask questions and challenge assumptions about how the world works
- Identify the forces driving their business and organisation's performance and think about how to improve that performance
- Watch what the competition does and try to understand why
- Understand their customers and what they value
- Stay up to date on developments occurring in their business, in other groups in the organisation and in their industry overall
- Continually develop their knowledge by reading books, magazines, and industry reports; attending seminars; and talking with experts

Finally, HR professionals also need to demonstrate specific thinking skills to be able to apply their strategic knowledge, traits and competencies.

An organisational competency template

Outlined below is a description of the Strategic Orientation competency.

Competency Level	Discovery	Understand	Perform	Mastery
<i>Strategic orientation</i>	<i>Understand organisational and competitive market environment</i>	<i>Work activity contributes to strategic direction</i>	<i>Improve overall competitive edge</i>	<i>Set a climate for future growth</i>
<i>Understanding of the organization and external environment to make sound commercial judgments</i>	<ul style="list-style-type: none"> <li>■ Understand own contribution to business objectives</li> <li>■ Understand market trends and developments</li> <li>■ Understand current business and organisation strategic direction</li> </ul>	<ul style="list-style-type: none"> <li>■ Demonstrate understanding of impact of own work activity on business and organisation strategy</li> <li>■ Understand the drivers for business and organisation</li> <li>■ Provide input to business strategy on own area of expertise</li> </ul>	<ul style="list-style-type: none"> <li>■ Maintain a broad overview of organisation needs and commercial activities across related functions</li> <li>■ Recommend action to maintain competitive edge in light of market trends and development</li> <li>■ Assist in the development of business strategies</li> </ul>	<ul style="list-style-type: none"> <li>■ Forecast market development trends and how they impact on the company</li> <li>■ Formulates business strategies</li> <li>■ Apply breadth of experience and knowledge to guide/direct organisation strategic decisions</li> <li>■ Continually compare progress against other industry leaders to ensure competitive edge</li> <li>■ Develop strategic alliances that are mutually beneficial</li> </ul>

*Strategic Orientation cognitive skills*

The last element in the set of personal characteristics that enables a HR Professional to apply their strategic knowledge is cognitive skills. These thinking abilities allows an individual to use their traits and competencies and apply them to an organisational environment. Examples of such cognitive skills include being able to:

- Objectively analyse a situation and evaluate the pros, cons and implications of any course of action
- Grasp abstract ideas and put the “pieces” together to form a coherent picture
- Generate a wide range of options, visualise new possibilities and formulate fresh approaches to their work
- Factor in ‘hunches’ into decision making without allowing those hunches to dominate the final outcome
- Understand the cause-and-effect linkages among the many elements that make up a system — whether the system is their business, team or organisation, or a project or process.

Cognitive skills turn traits and competencies into action.

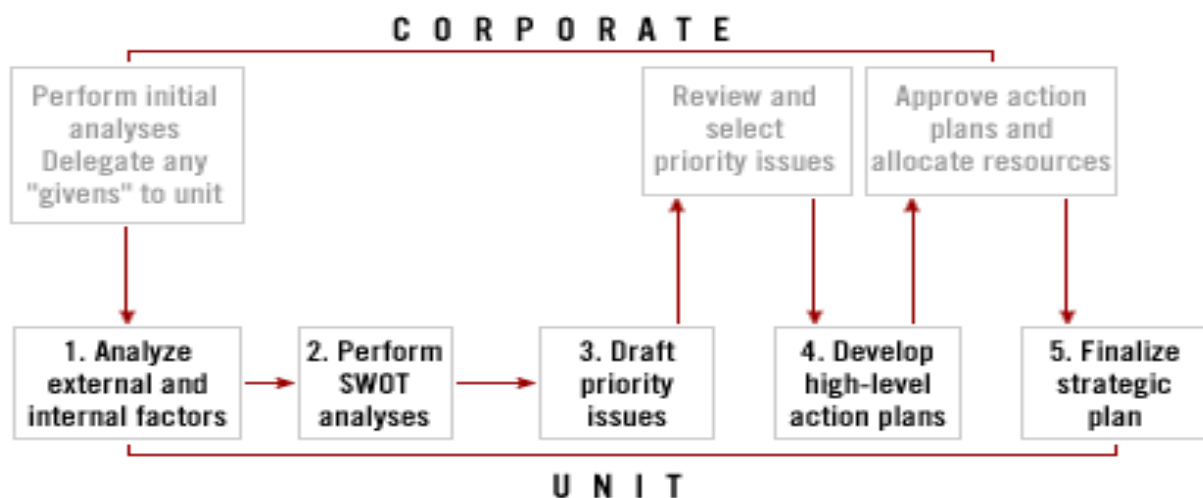
### *Strategic Orientation characteristics summary*

The second element to ‘being strategic’ is having a set of personal characteristics – what we refer to as traits, competencies and cognitive skills – that drives HR Professionals to look beyond their immediate role / objectives and seek to understand and apply their knowledge in a proactive manner for the good of the organisation.

## **Strategic Planning and Implementation Process**

The third element to ‘being strategic’ is recognising that there is a process that leads to a strategy being formulated and then implemented. Rarely formalised in small to mid sized organisations, most senior leaders of any organisation would however recognise the steps taken to arrive at a “*pattern or plan that integrates an organisation’s major goals, policies and action sequences into a cohesive whole*”.

The planning process outlined below is a typical example (unit = business);



For CourageousHR, HR can be involved in the strategic planning and implementation process at three points;

- Planning (stages 1 and 2 above)
- Development (stages 3 to 5)
- Implementation

### *Planning Stages*

HR can add a unique contribution through;

- Having access to unique data
  - Competitor knowledge based on recruitment, compensation analysis and sharing data with fellow HR professionals in the industry and third party recruiters
  - Capability knowledge of the organisations talent based on development and training plans
- Bringing a unique perspective
  - Access to all parts of the organisation, able to perceive the inter-relationships, strengths and weaknesses
- Technical knowledge of the strategic process
  - Knowledge of basic strategic models
  - Understanding of the importance of a common language and framework

### *Developing Stages*

HR can add a unique contribution through;

- Technical knowledge of change management
  - Understanding of the importance of the foundations of strategy – values and culture
  - Change management awareness, knowledge and skills
- HR experience
  - Proficient at knowing how to use engagement ‘levers’ e.g. reward, recognition, group dynamics
- Risk mitigation
  - Understand the regulatory, cultural and marketplace risks of alternatives

### *Implementing Stage*

HR can add a unique contribution through;

- Technical knowledge
  - Able to support the process, but differentiate between ‘People’ and ‘HR’ strategy
  - Awareness of the timeframes involved

- Model best practice
  - By undertaking key aspects e.g. recruiting, developing and exiting appropriate employees
  - Through supporting the implementation process
  - Through becoming an HR Partner community with the organisation
- Measurement
  - By defining metrics in advance
  - By celebrating success and learning from mistakes

For further information on how HR could be measured against each potentially unique contribution, please see the appropriate Whitepaper.

### *Strategic Process Summary*

The final element of 'being strategic' is being involved in the strategic planning and implementation process. HR can add potentially unique contributions at every stage.

## **Linking Business Strategy to HR Deliverables**

The final section of this Whitepaper is to show how an organisations business strategy can be linked to HR Deliverables. Creating the link between what HR delivers and business objectives is a key step to building credibility for both HR professionals and the HR Community. It is a process that enables HR to both measure and communicate its successes (and failures).

One of the greatest failings of organisations is not the lack of a business strategy but the failure to implement the one they have got. As People (employees) implement strategies, the organisational secret is to translate the business strategy into personal objectives. In order to do this, the business strategy needs to be broken into a people strategy, which in turn can be subdivided into team/function strategies and finally into individual objectives. This can be shown as follows;





Typical business strategies and potential links are outlined below. Note that there are single direct relationships and that any one of the HR Function strategies might support an identified People strategy and any one People strategy might support one (or more) Business strategy.

Also note that the link to Personal Objectives is not highlighted. This and further detail of how to link Business strategy to People and HR strategies are the subject of another Whitepaper.

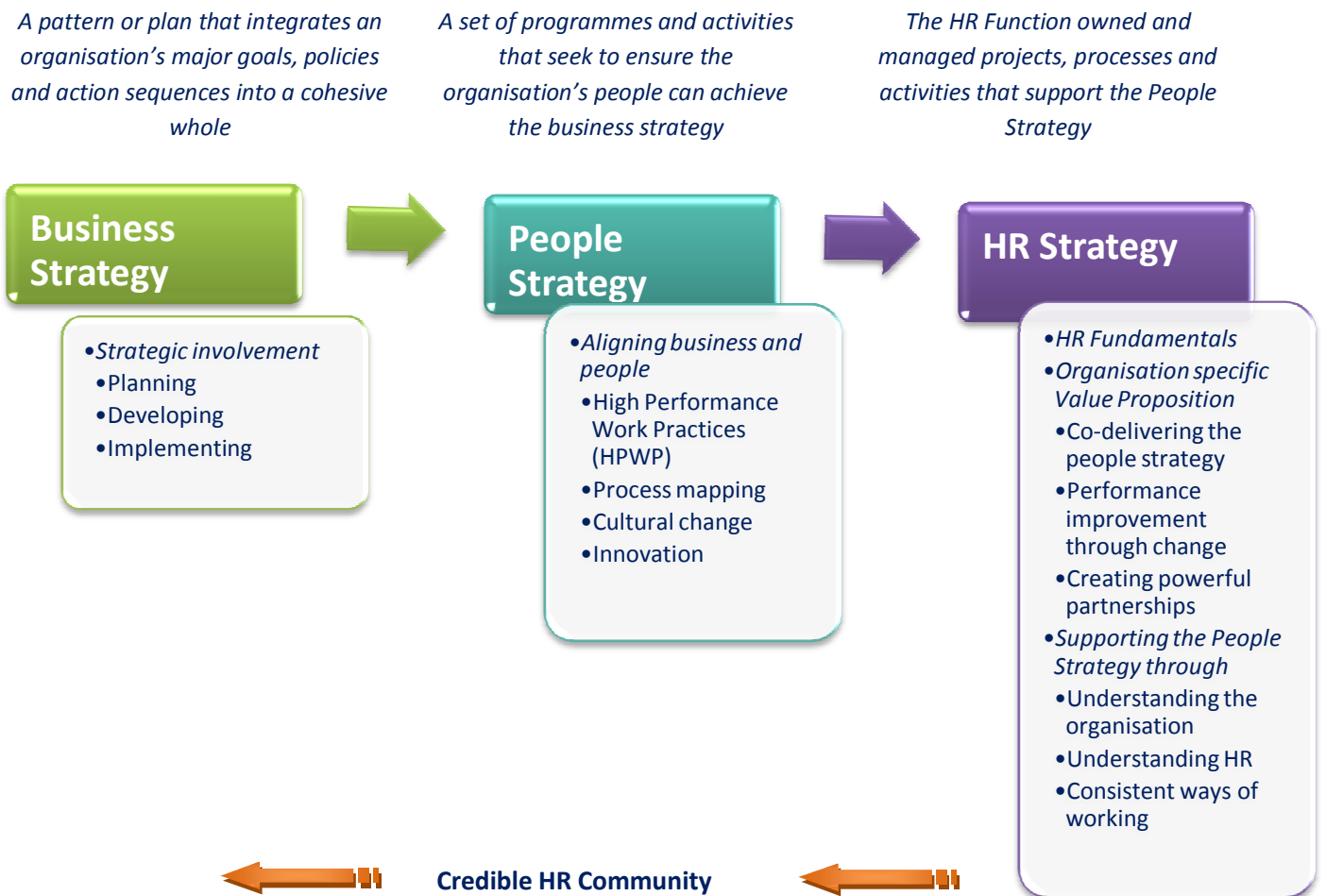
Business Strategies	Business Measures	People Strategies	People Measures (Employee ROI)*	HR Function / Team Strategies	Function / Team Measures *
Core businesses - increase sales and decrease costs	Revenue / profit growth	Ability to meet customer demand, greater market share	Improved Productivity	Entry (Resourcing)	Cost per hire Speed of hire Customer satisfaction Quality of hire
Introduce new products / services	Working capital	Lower employee hiring costs, increased talent retention	Increased revenues	Training	Performance Retention Employee engagement
Attract new customers	Cost of capital	Reduce business risks through talent retention and positive employee brand	Decreased costs e.g. employee brand	Development	Retention Achievements (salary, promotion) Employee engagement Employee satisfaction Employee brand
Acquire and /or merge with competitors	CAPEX	Reduce the cost of growth through use of talent	Increased process efficiency	Reward and recognition	Retention Achievements (salary, promotion) Employee engagement Employee satisfaction Employee brand
Open new sites / locations / countries	Competitive Advantage	Create a distinct employee brand through talent attraction and strategic deployment	Sustained Profits	Exit	Outcomes e.g. legal claims, complaints Process efficiency Employee brand
Change strategic focus	Stock price	Increase investor confidence through systematic and proactive talent management	Productivity increased over time	General / risk mitigation	As above but compared to norm groups

\* ROI / Employee Life Cycle

- Statistically, employee ROI metrics are often best used as aggregate measures
- Employee life cycle metrics are often better indicators at a Team / Function level as the line manager has greater control over the outcomes
- While there are very strong links between employee ROI and employee life cycle measures, the emphasis should be on the context in which they are being used e.g. training, recognition

It is important to note that while Business Strategy can be linked to Human Resources Deliverables (and therefore potentially measured), this is very different to 'adding strategic value'. How Human

Resources can make a unique contribution to an organisation is the subject of the Whitepaper 'Business Value Chain' but at a macro level, HR can add value to an organisations strategic planning and implementation process as follows:



## Summary

'Strategy' and 'strategic' are much misused words. This Whitepaper set out to show how 'being strategic' actually can encompass personal knowledge, personal characteristics (including competencies) and a planning and implementation process; demonstrate what 'being strategic' can practically mean to an HR professional and their Community; and conclude by showing how an organisations strategy can be powerfully linked (and therefore measured) to HR Deliverables.

'Being strategic' is, like any other organisational skill, something that can be developed in individuals. The success of HR professionals and HR Communities is both recognising the development opportunity and addressing any deficiencies.

## About CourageousHR

At CourageousHR we work with HR Professionals like you to help you create innovative people solutions and courageously apply them. We help you to bridge the gap between academic vision and consulting rhetoric to guide and inspire you and your HR Community to move from being 'followers' to leaders.

Our passion and thinking comes from our experiences, research and a belief that 'tomorrow doesn't have to be the same as today'. Our reach is global and we happily work with clients throughout the world and across a wide range of industries