



*iedex* Pty Ltd

# Why will HR matter more to strategists in the future?

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## Why will HR matter more to strategists in the future?

The people element of business resources have traditionally had a lot said about them being the centre of attention, but in truth, strategists have always preferred leveraging performance from other resources.

Why? Because working with people as a strategic resource is simply too hard.

From a strictly analytical perspective, strategists are unable to accurately estimate the output value from investments in people – be they qualitative or quantitative investments. People as individuals are unpredictable. As a resource class they are a nightmare.

So, why will strategists change their traditional practices and put the spotlight firmly on people?

Simply because they are fast running out of options. They now recognise that it is impossible to achieve sustainable business transformation without the commitment of the people resource.

This wasn't always the case. In the past, business transformation, growth and large scale performance improvement inevitably took the form of:

- Restructuring, by removing management layers, supply chain management and so on
- Mergers and acquisitions,
- Taking advantage of cost economies by globalising the business
- Contracting out non-core skill sets to focus on “what we do best”
- Business process reengineering, of core and support processes
- Better exploiting IT and operational technologies.

These transformation “tools” are now commonplace – they are *business as usual*.

The sustainably transformed businesses of the future will put people at the heart of their transformation strategy. But consider this:

- Many strategic plans contain very little strategy, let alone people strategy. They are big picture business plans detailing how to run the business better, but not how to transform it
- Executives review strategic financial data seriously at least once a month. Many never review strategic people data seriously.
- Less than 5% of Australian businesses can hardwire people's performance objectives to strategic goals – their performance management system is not strategy supportive.
- Strategy is transformational, but few businesses measure the transformational capabilities of their leadership.

So, for the HR professional, here are some things strategists will require .....soon.

## What strategists require from HR professionals

<b>Requirement</b>	<b>Rationale</b>	<b>Check</b>
1. HR staff have business acumen. They can think strategically and exert influence on the strategic thinking of Executives. Business acumen is stated in the position description and formally assessed during recruitment.	In strategy “whole-of-business” always trumps the narrow functional view. If HR wants to be a business partner it should operate a whole-of-business model. For any HR investment, the key question is “What is the <u>business</u> requirement here?”	
2. Make-or-break contributions: Hardwire the HR Strategy to the business strategy. Support strategic priorities with specially designated resources / processes.	HR disconnected from business imperatives is HR about to be disconnected from the business. Keep people informed about and engaged in strategic HR. This is core business as much as operational HR.	
3. Break-away contributions: Develop creative business options eg. identify the businesses core capabilities. Use this analysis to suggest new or extended business options to the Executive.	HR needs a capability and reputation that is more than reactive. Especially relevant for organisations built around human capabilities – such as service providers.	
4. Give the business change confidence. Have a clear change management process with customised tools & capabilities.	Good strategy always results in change – big change. It needs sophisticated change management capabilities. HR is the natural owner of change processes and tools.	
5. Own and operate a Strategic Workforce Plan. How exactly will people fit into the business strategy over the next 3 years? Where are the gaps and gluts?	You seldom find a reactive, “muddle through” approach for finance, operations of marketing/sales. Why is this often the approach used for people resources?	
6. Be generic strategy capable. Know how to implement the HR requirements for product development, market development, differentiation, market penetration, cost management.	At some point, the business strategy will inevitably utilise some of these options – be ready.	

<b>Requirement</b>	<b>Rationale</b>	<b>Check</b>
7. Simplify complex or ambiguous HR concepts eg. knowledge management, employee engagement, transformational leadership. Use plain English, practical processes, clear reports.	Executives are seldom interested in the complex underpinnings of your discipline. They expect you to have that under control. They want the practical value-add, measured rigorously and reported simply.	
8. Develop a transformational leadership framework – in addition to transactional leadership. Know how to implement it and measure its impact.	Strategy “transforms” organisations (business as usual “runs” it). Transformation requires special leadership capabilities.	
9. Propose and implement practical structural solutions to business needs. Exceptional capability is needed in the strategy-structure space.	Structure follows strategy. Strategy change means structure change. And strategies will change more rapidly in the future. If HR doesn’t own the structure, who does?	
10. Develop & operate an unambiguous performance management & accountability process. Make sure it can link directly to strategic priorities.	Many strategies fail not because they were intrinsically poor strategies but because they were poorly performance managed.	
11. Deliver business value from organisational values. Link values to behaviours. Measure performance (eg. 360 feedback) and provide the capacity – and willingness – to deal effectively with bad behaviours.	In attempting to build a great organisation, how we do things (our behaviours) is as important as what we do (our goals). Why? Consider the impact of poor behaviours by even one team member on the team. Multiply this impact across the business!	
12. Get the big HR metrics right – employer of choice rating, retention levels, succession %, staff engagement, Gen Y breakdown, etc. Use the right diagnostics, combine sophisticated analyses with practical recommendations.	These are the equivalent of business financial reporting, market planning or infrastructure investment planning. They need as much attention. Fixes take a long time – catch problems early.	
13. Build a strong personal relationship with every executive. Be their confidant, coach and mentor.	Good partnerships are based on strong, trusting relationships and having others value you for your judgement.	
14. Measure the contribution/value of HR to the organisation and communicate this to the Executive.	Good partnerships are based on indisputable evidence of value delivered.	

## Hints to HR professionals for successfully occupying a seat at the strategy table

With the devolution of people management to operational managers, HR professionals can choose to fill one or both of the following roles:

- **Support for operational managers.** This is the simplest form of HR – low value add and non-strategic. This business model is accompanied by constant cost cutting to HR resources and little respect for HR professionals by the Executive team.
- **Strategic business management.** Here HR is charged with driving the transformation of the business through its people. It is the value adding role of HR. HR has a full seat at the strategy table and investments in HR are evaluated like any other investment for ROI.

Having, holding and extracting value from a seat at the strategy table is influenced by the approach HR takes to its interactions with the executive team.

1. Know how much time you need to devote to dealing with strategic requirements – see previous table (eg on average 20% or the equivalent of one day a week).
2. Do not escalate operational HR matters to the Executive – why would they want to be regularly involved in your operational job? The exception is when the integrity of the business is at risk.
3. Hold strategic conversations with the Executive – create the perception that every time they see you it's a strategic issue that is in play.
4. Stand in the shoes of the Executive. Make sure every major HR decision has a business rationale from the perspective of the Executive. Measure the ROI from major HR decisions.
5. Develop the HR portfolio of strategic tools and capabilities. When you use these, communicate this and the key positive outcomes to the Executive.
6. Consider the timing of any proposal or report to the Executive – when will they most likely be “ready” to hear what you have to say? Too early is as ineffective as too late.
7. Report your performance concisely (eg. use a plan-on-a-page format – see below).
8. Apply an HR structure that suits the business eg. decentralised with specific portfolio responsibilities:
  - Decentralised – this establishes HR credibility through demonstrated usefulness/knowledge of real business needs
  - Portfolio – this ensures a high level of professional knowledge and practice by HR staff.

# HR Strategic plan on a page

