

The Role of Human Resources in Advancing Business Strategy

by David Madison, Ph.D.,

Director of the National Guild of Five O'Clock Club Career Coaches



Christina Murphy,
Director, Talent Management,
Cognizant Technology Solutions

The following article is based on a panel presentation at The HR Network Breakfast on February 8, 2008. The HR Network is sponsored by The Five O'Clock Club and is a vendor-free venue for HR professionals to meet informally, network with one another, and hear discussions of important issues of the day.

The panelists were Barbara Kurka, SVP, HR, Katz Media Group; Scott McElhone, SVP, Human Resources at HBO; Christina Murphy, Director, Talent



Jordan Vargas, SVP Human Resources and Call Center Operations at Hanover Direct

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Linking Courage with Wisdom

You don't need to be religious to be guided and inspired by the little prayer written by the theologian Reinhold Niebuhr in the 1930s: "God grant me the serenity to accept the things I cannot change, the courage to change the things that I can, and the wisdom to know the difference." This can have a totally secular application: the people who have had the most positive impact on human affairs—whatever their beliefs—have probably been those who stand out for their courage and their insight: they have not settled for putting too many things in the cannot be changed category, especially if the status quo favored mediocrity. Indeed, one of Niebuhr's concerns as a theologian was bringing faith to bear on the realities of politics.

All employees should be aware of the ongoing transformation in HR.

So what does this have to do with human resources? We have seen the evolution, the *transformation*, of HR in the last couple of decades—based on an expanded understanding of HR's scope and responsibility. There was time when HR's primary obligation was the routine business of the employer-employee relationship: processing payroll and benefits; recruiting, screening, hiring and firing; keeping up with the laws

that impacted the workplace.

But astute HR professionals realized that, being charged with the oversight and review of the human capital flowing in and out of an organization,



Barbara Kurka, SVP, HR,
Katz Media Group

they were in a unique position to offer insights and advice to senior management about the talent available to drive the business. In fact, the term "human capital" itself represents a deeper appreciation for HR's capabilities and potential. Indeed, the term "human resources" was a step in this direction—an upgrade from the time-honored label



Scott McElhone,
SVP, Human Resources at HBO

“personnel.” There is increasing awareness that HR can have a vital role to play in advancing business strategy: a lot more falls into the things that can be changed category—that is, *things that HR can change*—than was previously thought possible and appropriate.

Becoming Part of the CEO Toolbox

What does your CEO care about the most and when he or she considers HR’s contribution to the business? That you manage payroll and benefits well? That you’re doing a good job in keeping the organization out of trouble on the employee relations front? Perhaps. But it’s just as likely these days that the CEO would like to see HR officers playing more strategic roles. While it probably wouldn’t be wise to advise your HR colleagues, “It’s all about business strategy, stupid!”—this is probably the best piece of wisdom to guide your department. Maybe the CEO cares *more* that HR has a comprehensive grasp of the talent base on payroll; that HR is proactive about retaining the talent *and* about getting talent aligned with business strategy.

A lot depends, of course, on your relationship with the CEO. What do you truly want in this area? What does the CEO want? Are you in a small organization in which the lines of reporting are relatively uncomplicated—or in a huge organization with many layers of management? Even if

the latter is the case, HR can still strive to have strategic impact up the line.

If you have the courage to be a change agent, be prepared to relate to very demanding leaders. CEOs are quick and they expect you to figure out how to get it done.

If you wish your HR role to have strategic impact—if you think you have the courage to be a change agent—be prepared to relate to very demanding leaders. One senior HR executive commented: “I want you to know that before I reported to the CEO, my hair was all black. It turned grey within the first year I took on this new role.” Typically, CEOs are chosen for the role because of critical problems to be solved—and they surround themselves with creative people who can produce results. Having been in that role with several companies, this executive says: “In my experience, CEOs usually possess certain characteristics irrespective of their personalities. They are smart—really smart. They are able to absorb minutia, details, massive amounts of information, make sense of it and determine a direction. They are quick. Once a decision has been made, it’s time to move on and get the task done. And

they are persistent. They don’t take no for an answer. “Mission Impossible” is to be expected. Their attitude is, ‘You figure it out—get it done.’ They are impatient. If you give them a date for having a task completed, you’d better make that date. You won’t be at the table long if you don’t produce results. It’s all about results with CEOs.”

Preparing for the Mission

If being a strategic player appeals to you, then there is homework to do. It is vital to understand your own organization well, and to study how HR has achieved impact in other organizations. The cliché about choosing your battles carefully applies here. Says another HR expert: “What works in one company might not work in yours. Be sure to identify where HR can add value, because you want to set yourself up for success. Rather than plunging into big picture issues, get some quick wins to demonstrate how you add value. If you get it wrong the first time, you might not have another chance.”

It’s all about business strategy.

There is another business maxim that should be your guide: ideas are easy—execution is everything. Says one HR specialist who has gone through the process of moving HR to higher levels



HR professionals met at 7:45 a.m. to network with one another. No vendors are allowed.



As usual, Kate Wendleton enjoyed moderating this lively discussion.

of participation: “We did our own assessment of where we thought we could add value, and the first step was identifying barriers to effective execution. It just seemed to resonate for us that, if we could sit down with our company leadership and demonstrate to them that we could fix two or three things, the company would be firing on all cylinders. Who could quarrel with that? So that’s what we did.”

A Case Study: HR Takes the Lead

When a company exists to sell a product or service, a key part of the strategy for success is hiring people who know how to sell. But is it merely as simple as that? Can more be done to boost the potential for making sales? In the case of one company that sells media time, HR was at the forefront of a project to enhance skills and outcomes. In this case, HR took seriously

its responsibility as *human capital manager*—and its commitment to have an impact on the bottom line. HR became a *strategic partner*, helping the company become a stronger competitor. Here is a summary of the human resources officer’s description of the project:

“One of the weaknesses that we identified—was that this in a company that sells—there were no descriptions of what a successful account representative does; specific behaviors were not defined. Most of our divisions ran some kind of training program, especially for entry level—and, of course, there was on-the-job training. But none of the divisions clearly and consistently articulated what specific behaviors a person needed to be successful. This didn’t stop people from succeeding, of course, but clearly there was room for improvement.

“Rather than simply hiring someone to do sales training, we realized that we would be better off with something that could be part of the company structure and culture. So HR created an inexpensive (key word), sustainable (another key word) program to change behavior. With a buy-in from the CEO, and with the help of an independent consultant, we developed what we called a *facilitator model*. We trained highly respected line managers to work with their peers to develop behavior-based standards for success. During the six months that it took to finish this project, HR acted as advisors. We didn’t

tell the managers what to do, which resulted in their asking for our input, and this created a different kind of conversation. Once the standards were defined, we developed a simple one-page evaluation tool to assess our sales staff. Either an employee demonstrates the desired standards of behavior 80 percent of the time—or not. There was no place for mediocrity to hide.

“But we couldn’t just define behaviors. It was easy to fill out an evaluation form and put it in the drawer. We couldn’t just identify standards: we really had to drive them through the organization. HR made alignment its mantra.

“When the recruiting staff discusses open jobs with hiring managers, we review the standards for the role; we make sure that all those involved in the hiring process are aligned to the standards. New hires are told that there will be an *expectations conversation* during the first week of employment, and if this doesn’t happen, the new hire should ask for it. As soon as a new hire starts, the manager receives an email reminder to have the expectations conversation. Furthermore, HR developed workshops to drive home the message about aligning behaviors with the standards for effective selling: *everything* a manager does with respect to an employee has to be anchored to the standards, whether it is on-boarding, career development discussions, performance management,



The attentive audience of 150 listened to the panel on business strategies.

rewards or terminations.

“Every month HR writes articles on different aspects of the alignment process, for distribution to more than 300 managers and executives in the company. The importance of impacting behavior to enhance sales was more deeply appreciated than before the launch of the program. Not too long ago, when an outside consultant seemed to be focused too much on an analysis of numbers, one of the managers commented, “It’s not just about numbers, it’s about our standards and behaviors.”

Identify where your department can add value. Set yourself up for success.

Where HR Can Add Value

As you contemplate and assess how you, as an HR officer, can work in partnership with the CEO and impact business strategy, a lot depends, of course, on the what the pattern has been in the past where you work now—or where you may be thinking of accepting a new job. One HR officer was thankful to be hired by a company in which HR participation was well established: “HR had been at the table for years, and there was already an enriched dialogue about strategy and about moving the business forward.” You may work in an environment in which such a concept is largely foreign, in which case you may have your work cut out for you in educating senior management about HR’s possible contribution to business strategy. But there are several fronts for moving forward.

Retaining Top Talent

We have heard HR officers boasting recently about how few people leave their firms—especially how few people they have to let go. “We hire lean,” they claim. This is a sign, in fact, that HR is well tuned with the business strategy of the company. In fact, a company may

do a lot of hiring—there may be impressive workforce growth—but the hiring is still considered lean. A lot of thought has been given to the kind of talent that is actually needed, candidates are thoroughly vetted—and then the focus shifts to retention. Obviously, any company’s business strategy is likely to be in serious jeopardy if there is an ongoing talent drain, and HR is well positioned to have a positive impact on this front.

One best practice is to **track the retention rate based on recruitment methods**. One HR officer at a company that has been growing dramatically has done the analysis: “Part of our strategy is to rely heavily on employee referrals. In fact, 50 percent of our hires come through employee referrals, and we find our retention rate with these employees is much higher than when we go through more traditional routes.”

Effective retention plans are based on two major considerations: what will the company need in the years to come, and *what does the employee want* in the years to come? Says one senior HR specialist: “We knew that succession planning was critical for the business strategy in the next decade, but realized that we there was a big hole in the plan. If people end

up leaving—for whatever reason—then the plans can be derailed. So we maintain an on-going list of the company’s top talent. We interview them to get a grasp of what they want, and we come up with an action plan for each person—and we review the plan on a quarterly basis. But it’s important to be proactive on other levels as well. If we see from the blogs or get feedback from colleagues that there may be problems with a person, we can move immediately into action to takes steps to turn the situation around.”

Produce results. With the CEO, it’s all about results.

Avoiding Strategy Sabotage

It bears repeating: ideas are easy, execution is everything. Whether a workforce consists of a dozen, a hundred or a few thousand employees, miscommunication and ineffective procedures can undermine the effective execution of strategy. One SVP level HR officer recalls that his team coined the term *organizational cholesterol* to describe these kinds of challenges. And since HR can assume responsibility for working out ‘people problems,’ HR took the initiative trying to solve the problems. “It’s very true that seasoned, experienced and talented leadership teams can forget how to articulate strategies. If they don’t have a strategy—or if it’s too complicated—that’s another problem. But if they don’t *communicate* it well, that’s an item for HR to diagnose.” This is a place where HR can add value by pulling out the details and delivering the message with clarity. HR has traditionally been involved in defining work roles, so HR can make sure that people are very clear about their roles and responsibilities and the interplay that is expected of them with other parts of the organization.

Moving forward toward goals can also be hampered by



"Call me crazy, but I think my paperwork is actually following me."



"I'd like to know why this company has 326 presidents, 213 vice presidents, and me-- the only employee."

ineffective delegation. One expert says, "For us, this took the form of delegating a task to someone, but not necessarily communicating the manager's full point of view about the project, or not giving the person the authority to make decisions. So months could go by with a lieutenant moving a project forward, only to have a senior leader step in and say, 'No, I thought we were supposed to be going in another direction.' Obviously that bogs down the process. We were able to trace much of the problem to the fact that meetings had grown from 20 to 60 people, because people were afraid of being left out of the loop. The issue boiled down to communication. HR worked to make changes to enhance communication, so that people weren't afraid to be out of the room."

In fact, strategy thrives on communication. This expert added: "Authentic communication builds trust. If you are candid with people about what you are doing, and you are very clear with them about what their roles are, then ultimately you are going to build trust. If there is trust, people are going to be more willing to let you manage a process and check in with them from time to time. Trust delivers collaboration."

Collaboration can be undermined when strategies are poorly defined, misunderstood, or if management simply thinks that the rank and file don't need to know. In this case, management may turn a blind eye as well to corporate culture, or strive to maintain a culture that may no longer be appropriate to the mission. One CEO voiced this truth with a pithy aphorism: "Corporate culture eats strategy for breakfast." And HR is in a position to monitor disconnect on this level. If HR is truly in tune with the big-picture corporate strategy, it

can help to bring the culture into alignment. This commonly means being a good listener, both to what senior management says it needs and what employees are looking for in the workplace environment. An HR officer in a highly volatile situation commented, "It's like a controlled chaos situation. We have exponential growth—a lot of new people and new ideas and expectations coming in the door. You have to keep the lines of communication open with people. Make sure that everyone understands what the company goals are. Socialize with employees. Have lunch and dinner with them."

Numbers get you in the door with top management. Numbers tell the story. Without the hard data, it's very difficult to affect change.

Human Capital Managers Should Have the Numbers

How much does it cost to recruit and hire, e.g., by placing ads, using search firms, paying for employee referrals? How much does retention cost,

e.g., giving raises, bonuses, employee perks? How much does it cost to replace lost talent—not just to hire replacements, but to train new employees? What do all of the benefits cost, including, of course, health insurance? What will be the people cost of anticipated expansions or new business initiatives? What is the cost, even, of low morale, in terms of poor performance and absenteeism?

If you want to elevate HR to a role in formulating business strategy, **do everything you can to make sure that senior management stands in awe of your command of the numbers.** Advises one HR officer who is on a senior management team: "Analytics is king. I talk to our executives about the quantitative perspectives. This may be an exaggeration, but at this level, it's all about the numbers. Numbers get you in the door. Numbers help you tell the story. Without the hard data, it is very hard to affect change."

The human capital experts, a.k.a. HR professionals, are in a unique position to monitor the scales—and try to bring corporate strategy and the full array of talents and personalities into balance and alignment, to maximize energy and enthusiasm. One HR expert summed it up: "How fabulous when leaders understand that people are important—that there is a vital relationship between moving business strategy forward and identifying talented people and putting them in settings where they can do their best work." ●



Takes notes on strategies to take back to others in the office.