Strategic Human Resource Development
Influencing Your Organization to Improve Performance
Where Are We Now?
How HR Professionals Believe They Spend Their Time

<table>
<thead>
<tr>
<th>Percentage of time spent on………</th>
<th>5-7 years ago</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintaining records</td>
<td>25.9</td>
<td>13.2</td>
</tr>
<tr>
<td>Collect, track, and maintain data on employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auditing and controlling</td>
<td>14.8</td>
<td>13.3</td>
</tr>
<tr>
<td>Ensure compliance to internal operations, regulations, and legal and union requirements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Providing HR services</td>
<td>36.4</td>
<td>32.0</td>
</tr>
<tr>
<td>Assist with implementation and administration of HR practices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developing HR systems and practices</td>
<td>12.6</td>
<td>18.1</td>
</tr>
<tr>
<td>Design HR programs, policies, and supporting systems</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Serving as strategic business partner</td>
<td>9.6</td>
<td>23.5</td>
</tr>
<tr>
<td>Serve as member of the management team; involved with strategic HR planning, organizational design, and strategic change</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Boudreau & Ramstad, 2007, p.7)
<table>
<thead>
<tr>
<th>Question</th>
<th>Yes (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collect metrics that measure the business impact of HR programs and processes?</td>
<td>30.3</td>
</tr>
<tr>
<td>Use dashboards or scorecards to evaluate HR’s performance?</td>
<td>39.4</td>
</tr>
<tr>
<td>Have metrics and analytics that reflect the effects of HR programs on the workforce (such as competence, motivation, attitudes, behaviors, and so on)?</td>
<td>29.3</td>
</tr>
<tr>
<td>Have the capability to conduct cost-benefit analyses of HR programs?</td>
<td>28.3</td>
</tr>
<tr>
<td>Measure the financial efficiency of HR operations (cost-per-hire, time-to-fill, training costs)?</td>
<td>47.5</td>
</tr>
<tr>
<td>Collect metrics that measure the cost of providing HR services?</td>
<td>30.3</td>
</tr>
</tbody>
</table>
“… Senior HR executives in only 39 percent of the Fortune 1000 companies studied felt that their HR function was a full partner in developing their company’s business strategy”
(Lawler, 2008, p. 164)

“… Another perceptual problem is that HR practitioners are not viewed as credible because they don’t live in the real world or face the problems other organizational members face.”

These perceptions often cause HR practitioners to be treated with a lack of respect.”
(Gilley & Gilley, 2003, p. 5)
“…. Such perceptions also cause senior management to seriously question the value of HR.

As a result, HR programs are the first to be eliminated during periods of financial difficulty.”

“Thus, the image and credibility of HR remain weak.”

(Gilley & Gilley, 2003, p. 5)
Where Are We Now?

“Activity-based” rather than “results-driven.”

Activity based:
- Administration
- Paperwork
- Legality
- Compliance

“…viewed as a cost to the organization (to provide activity) rather than as an investment (to produce results).”

(Gilley & Gilley, 2003, p. 34)
What is Needed?
#1 Needed: A Paradigm Extension

- **Current:** “the mission of the HR function is to be a respected business partner, helping the company achieve its goals by providing outstanding services to help manage the company’s most important asset, its people.”

- **Extension:** “the mission of the HR function is to increase the success of the organization by improving decisions that depend on or impact people.”

- “Implementing useful, professional HR programs is important, but it’s not the same as having a deep and consistent effect on the organization’s vital strategic decisions.”

(Boudreau & Ramstad, 2007, pp. 9-10)
• “Whether it is called ‘people,’ ‘labor,’ ‘intellectual capital,’ ‘human capital,’ ‘human resources,’ ‘talent,’ or some other term, the resource that lies within employees and how they are organized is increasingly recognized as critical to strategic success and competitive advantage.”
• (Boudreau & Ramstad, 2007, p. 4)
Doing administration well is not the way to establish credibility as a strategic resource in an HC-centric organization. It is a necessary precondition, but that is all it is. (Lawler, 2008)
• “Quite simply, an HR program cannot be a department, it must be a philosophy of operation that is the cornerstone of organizational transformation and development.”  
  (Gilley & Gilley, 2003, p. 34)
# 5 Needed – Organizational Transformation (continued)

(Gilley & Gilley, 2003, p. 103)
The Ulrich (1997) Model

(Murton, Inman, & O’Sullivan, 2010, p. 366)

Operational Focus

Strategic Focus

Strategic Partner

Change Agent

Processes

People

Administrative Expert

Employee Champion

Operational Focus
What Do We Mean by “Strategically Integrated” HR?
“Strategy defines which products, services, and markets an organization will focus on and how it will compete. It states an intent that should guide choices about how the organization creates value and about how it is designed.” (Lawler, 2008, p. 39)
Competencies

- “the technical expertise and knowledge base that underlie the products and services a company offers.” (Lawler, 2008, p. 40).
- “A competency is an underlying characteristic of an individual that is causally related to criterion-referenced effective or superior performance in a job or situation (Spencer & Spenser, 1993, p. 9, cited in Fitz-Enz, 2009, p. 197)
- “Criterion-referenced is a fancy way of saying that a given competency actually predicts behavior and performance. (Fitz-Enz, 2009, p. 197)
Capabilities

- “the things an organization can do. Capabilities do not reside with one individual or a small group of gurus. Instead, they are the product of the collective knowledge and ability of employees to work together to execute the activities that the organization’s strategy calls for in terms of products and services.” (Lawler, 2008, p. 41).

- From The Living Company … “to cope with a changing world, any entity must develop the capability of sifting and changing, of developing new skills and attitudes: in short, the capability of learning.” (de Geus, 2002, p. 20)

- Schwartz (2003) “We live in a world of maximum surprise” p.223)

- “A successful company is one that can learn effectively (de Geus, 2002, p. 20)
“... AND

Existing capabilities and competencies - as well as the potential to develop new competencies and capabilities - need to drive strategy.”

“They all need to be considered simultaneously to ensure a good fit.”

(Lawler, 2008, p. 42)
Classic Star Model: (A Structure-centric approach)

- Strategy
- People
- Structure
- Rewards
- Processes

(Lawler, 2008, p. 37)
HC-Centric Star Model (Lawler, 2008, p. 38)

- Strategy
- Competencies
- Capabilities
- Identity
- People
- Structure
- Rewards
- Processes
The 7-S Model (McKinsey & Company)
Snell & Bohlander, 2013, p. 73
Getting from Here to There – How Do We Strategically Integrate HR?

A. New Mindsets
#1 New Mindsets

- “HR leaders need to redefine the core purpose of their function and then use that new definition to inform decision making going forward.”

(Lawler, 2008, p. 156)
#2 New Mindsets: Paradox and Renewal

- **Organizational Ambidexterity** – balancing two (2) opposite strategic intents simultaneously.

  - “Yin and yang of continuous self-renewal” — a balance between a pair of hard elements (discipline and stretch) and a pair of soft elements (support and trust).”

    (Bartlet & Ghosal, 2002, p. 151).

- **The notion of renewal is important to an ambidextrous organization.**

- “**Essential skills in a renewing firm are:**
  - the ability to understand what is valuable to customers
  - to ferret out unmet needs,
  - to appreciate how that firms technological capabilities might meet those needs,
  - and to work with fellow explorers from other areas of expertise.”

  (Dougherty, 1992, pp. 77-92)
• Wayne Gretsky: “I don’t skate to where the puck is.
• I skate to where the puck is going to be.”
#3 New Mindsets: Lawler’s (2008) Core HR Functions

**A. HR administration:**
Providing high-quality, low-cost HR services to all employees of the organization.
(p. 156)

**B. Business support:**
Helping the managers and leaders of the organization become more effective and make better human capital management decisions.
(p. 157)

**C. Strategy development and implementation:**
Aligning human capital management, organization development, and organization design with the organization’s business model.
(p. 157)
#4 New Mindsets: Gilley & Gilley’s (2003) Core HR Functions

A. Organizational learning:
Learning is a socially constructed change process with all employees involved collectively in sense-making, new knowledge, employee actions, and process improvement.  
(Gilley & Gilley, 2003, P. 67)

1. Learning organization
   i. Personal mastery
   ii. Mental models
   iii. Shared vision
   iv. Team learning
   v. System thinking
   (Senge, 1990)

2. Action learning
   “both a process and a powerful program that involves a small group of people solving real problems while at the same time focusing on what they are learning and how their learning can benefit each group member and the organization as a whole.”
   (Marquardt, 1999, p. 4)
While organizational learning does not necessarily lead to becoming a learning organization, organizational learning must occur in order to achieve and maintain the characteristics of a learning organization (Callahan, 2003, p. 167).

Some Characteristics of Action Learning
- Models working and learning simultaneously
- Is problem-focused rather than hierarchically bound
- Breaks down barriers between people and across traditional organizational boundaries
- Enables people to learn by doing
- Allows for mistakes and experimentation
- Is done mainly on the job rather than off the job
- Is systems based
- Encourages continual learning
- Helps develop learning-how-to-learn skills

(Gilley & Gilley, 2003, p. 67)
B. Organizational change
Transforms the culture

Types of change
- First order and second order
- Incremental and radical
- Transactional and transformative
- Explorative and exploitive
C. Organization Performance

i. Financial

ii. Sustainability

iii. Balanced Scorecard

iv. Quality

v. Metrics

i. Balanced Scorecard

- Financial
- Customer
- Processes
- Learning
<table>
<thead>
<tr>
<th>Workforce success</th>
<th>Have we delivered on each of the key elements contained in the workforce scorecard – that is, workforce success, leadership and behaviors, capabilities, mind-set and culture?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Right HR function and workforce costs</td>
<td>Is our total investment in the workforce (not just the HR function) appropriate (not just minimized)?</td>
</tr>
<tr>
<td>Right types of alignment</td>
<td>Are our HR practices aligned with the business strategy and differentiated across positions where appropriate?</td>
</tr>
</tbody>
</table>
**Right HR practices**

Have we designed and implemented world-class HR management policies and practices throughout the business?

**Right HR professionals**

Do our HR professionals have the skills they need to design and implement a world-class HR management system?
“Effectiveness describes the relationship between talent and organization performance and the portfolio of policies and practices that create and support that performance.”

“Effectiveness is essential to strategy execution because it reveals where organizations can change the game by enacting programs and practices that uniquely reflect strategic pivot-points.”

“Pivot-point – where specific improvements in the portfolio of policies and practices must enhance the performance of talent and organization.”

(Boudreau & Ramstad, 2007, p. 120)
Getting from Here to There – How Do We Strategically Integrate HR?

B. Strategic Thinking
Strategic Thinking (Cascio & Boudreau, 2008, p. 8)

- “Human capital metrics are valuable to the extent that they improve decisions about talent and how it is organized.”

- “That means that we must embed HR measures within a complete framework for creating organizational change through enhanced decisions.”

- “The ‘LAMP’ Framework – four critical components of a measurement system that drives strategic change and organizational effectiveness.”

  - Logistics
  - Analytics
  - Measures
  - Process
Lighting the ‘Lamp’ (Cascio & Boudreau, 2008, p. 8)

- **“The Right Analytics”**
  Valid Questions and Results
  (Information, Design, Statistics)

- **“The Right Measures”**
  Sufficient Data
  (Timely, Reliable, Available)

- **“The Right Logic”**
  Rational Talent Strategy
  (Competitive Advantage, Talent Pivot Points)

- **“The Right Process”**
  Effective Knowledge Management
  (Values, Culture, Influence)

HR Metrics and Analytics That Are A Force For Strategic Change
Strategic Thinking: Common Metrics
(Snell & Bohlander, 2013, p. 77)

General
• Total payroll and benefits costs
• Revenue earned per employee
• Average salary per employee
• Total employee hours worked
• Hours worked per employee
• Employees per department
• Average employee age
• Absenteeism rate

Hiring and Turnover
• Total separation costs
• Average time to fill a position
• Quality of fill
• Cost per fill
• Percentage of positions filled internally
• Percentage of new hires retained for … days
• Employee turnover rate
  • Voluntary
  • Involuntary
Strategic Thinking: Common Metrics  (Snell & Bohlander, 2013, p. 77)

Training and development
- Total training costs
- Training costs per employee
- Average training hours provided existing employees
- Average training hours provided new hires
- Absenteeism rate

HR Metrics
- Number of employees per HR professional
- Total HR expenses
- HR expenses per employee
- Percentage of HR expenses spent on outsourced functions
Influencing Your Organization

Improving Performance
## Improving Performance

### Organizational Connections

(Fitz-Enz, 2009, p. 37)

### ENTERPRISE GOALS

<table>
<thead>
<tr>
<th>Financial</th>
<th>Reputation</th>
<th>Position</th>
<th>Brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>Supplier</td>
<td>Market share</td>
<td>Recognition</td>
</tr>
<tr>
<td>EPS</td>
<td>Great place to work</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### BUSINESS UNIT GOALS

- **Quality:**
  - Six sigma
- **Innovation:**
  - New products
- **Productivity:**
  - Unit cost
- **Service:**
  - Customer satisfaction

### HUMAN CAPITAL MANAGEMENT

- **Hire**
- **Pay**
- **Support**
- **Develop**
- **Retain**

- **Cost**
- **Time**
- **Volume**
- **Errors**
- **Reaction**
Improving Performance: The Seven-Step Model for Implementing HR’s Strategic Role (Becker, Huselid, & Ulrich, 2001)

1. Clearly define the business strategy
2. Build a business case for HR as a strategic asset
3. Create a strategy map - Leading and lagging indicators, Tangibles and intangibles
4. Identify HR deliverables within the strategy map
5. Align the HR architecture with HR deliverables
   - HR function
   - HR system
   - Strategic employee behaviors
6. Design the Strategic Measurement System
   - Develop HR scorecard (leading, lagging, cost control, and value creation methods)
   - Measure HR
   - Intangibles
   - Firm performance relationships
7. Implement management by measurement

Regularly test measures against strategy map
Accomplish Mission; Create Optimal Value

**Learning and growth goals:**
- Promote employee development via ongoing training
- Enable continuous learning and knowledge-sharing
- Cultivate a culture of innovation and high performance

**Internal business process goals:**
- Build good relationships with suppliers and partners
- Improve cost, quality, and flexibility of operations
- Excel at innovative product development and next-generation market opportunities

**Financial performance goals:**
- Increase revenues in existing markets
- Increase productivity and efficiency
- Increase revenues in new markets and products
Five Ways for HR to Become Strategic Partners (Fitz-Enz, 2009, p. 36)

# 1

- 1. Know your business fundamentals – Learn as much as you can about the technology, marketing, finance, and production side of your organization.
- What drives revenues?
- Who are the major customers?
- What is our market share?
- How do our gross margins compare?
- Are earnings per share rising or falling?
Five Ways for HR to Become Strategic Partners  (Fitz-Enz, 2009, pp. 36-38)

# 2 – # 5

• 2. Learn to work with your CEO and board to build shareholder value.

• 3. Absorb all that you possible can. Read outside of HR. Go to industry conferences. Learn to read financial statements. Be eager to broaden your general knowledge.

• 4. Master workforce performance assessment. Learn to apply data in forms that tell past, present, and future stories. Translate anecdotal data on skill development into effects on business outcomes.

• 5. Become and outsourcing and offshoring expert. Learn to manage vendors and set realistic cost-saving and service-delivery goals. Decide what level of service is most appropriate for your organization at this point in time.
New HR Competency Domains (Becker et al., 2001, pp. 162-163)

- Personal credibility
- Ability to manage change
- Ability to manage culture
- Delivery of HR practices
- Understanding of the business
- Strategic performance management
Questions?
References


