



The Role of HR in Strategic Planning

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There is an ongoing debate about the role of human resources in strategic planning. In some cases, senior managers view human resource management solely as a compliance function. Other senior managers look to the HR function for more consultative services such as leadership development, performance management and employee engagement. Often times HR is called to help implement a key initiative of strategy after the decision has already been made.

Meanwhile, HR professionals are looking for the proverbial “seat at the table” in the strategic planning process. Some will tell you that the role of human resources in the strategy process is to focus on workforce planning and succession planning. While these functions are important to the successful implementation of strategic plans, there are also opportunities for HR professionals to be involved in the development of strategic plans.

The fact is that strategy is rarely developed without the consideration of human capital. Perhaps more importantly, no strategic plan is successful without the successful recruitment, deployment, development and management of human capital. So then, why wouldn't the HR professional be “at the table?”

I submit to you the answer is that the HR function must create a perception of value throughout the planning cycle by demonstrating its knowledge, alignment, and success. In other words, the HR function must successfully prove its ability to create value to the organization at every step in the strategic planning process from environmental scanning, to organizational assessment, to strategy development, implementation, and performance measurement.

There are four guiding principles that will lead the HR professional to be invited to “the table” and more importantly that will ensure that his/her seat stays “reserved.”

- Understand the strategy development and strategic planning process

- Know your business
- Run HR like a business
- Take a position on a strategic issue

Let's explore each of these.

Understand the Strategy Development and Strategic Planning Process

In order to actively participate in the strategic planning process, it is important to have a solid understanding of the process. Strategic planning is the process of evaluating an organization's operating environment, customers, competition, as well as its capabilities and competencies to define a strategy and then to make decisions on the allocation of resources (including its capital and people) to pursue the strategy.



A good strategic planning process is iterative, incorporating internal and external information, various functional expertise, and cross-divisional management personnel throughout the year. Further, it aligns the entire organization with measurable metrics which are tracked and



evaluated on a regular basis.

It is important to establish an understanding of your organization's strategic planning process and the decision-making process associated with it. At every stage in the strategic planning process information will be analyzed in order to make decisions. Seek out those opportunities and offer information and insight that will enable those conversations.

Strategic decisions will be made based on return on investment (ROI), economic profit or shareholder value creation, revenue growth, market share growth, margin, reputation or other factors. Companies also make decisions based upon short-term (sometimes quarterly) or long-term expectations, depending on the stage of growth and legal structure of the company. Once you understand the planning process and the decision-making criteria for your organization, you can begin to make inroads into the process. Your input into the process at every stage should be in alignment with the decision-making process of the company. In fact, your ability to align your conversations and actions with the process and decision-making criteria will at least get you on the "long list" of invitations to the "table."

Know Your Business

Knowing your business will get you on the "short list" of invitations to a seat at the table of strategic planning. Unfortunately, this is where a lot of functional leaders miss their opportunity. Many are too focused on being experts in their field that they under-invest in developing expertise in their business.

In order to really understand your business you must know how the money flows as well as what are the levers that drive growth and profitability. It is important that you understand these levers and know how your organization and function can/does influence them.

For example, a commissioned sales force is often thought of as variable costs. The reality is that an infrastructure is needed to acquire, onboard, train, manage, develop and retain talent. There is a fixed cost component to every commissioned salesperson. You should be able to articulate the fixed costs ratio for hires for every new hire when having conversations with the C-suite.



It is also important that you know what's happening in the marketplace in which you compete. Establish methods to stay abreast of environmental trends, customer trends, competitive trends, and innovation that might be on the horizon. One of the best ways to accomplish this is to regularly spend time with operators and functional experts who have a finger on the pulse of the business. This will serve the dual purpose of developing trusting relationships with your internal customers.

It is equally important that you understand the jargon of business and, perhaps more importantly, the jargon of your business. The vernacular of business is ever-changing. C-level individuals continuously read and learn new concepts and new methodologies designed to enable them with tools to maneuver the treacherous waters of business. It is important that you stay abreast of these concepts, as well. Whether you read books and/or business briefings, subscribe to Harvard Business Review, or attend strategy conferences, be sure to exploit learning opportunities outside of your field of expertise. You will know you have reached a level of proficiency when you can effectively translate HR jargon to business jargon.

Run HR like a business

Human Resource Management is a function of business. The function exists to manage the human capital of a business, thus, it is imperative that the goals of the function be in alignment with goals of the business. In order to accomplish this you must start by knowing your internal and external customers. What are the demands of the business units and corporate center that you serve? How will those demands shift over time? How do their demands impact their ability to deliver results to their clients? The answers to these questions and questions like them will enable you to craft a strategy to deliver solutions to your customers, thereby creating a perception of value that can be levered.

Secondly, it is important that you know your competition. This is sometimes a difficult concept for internal service functions; however, remember that everything can be outsourced! Regularly investigate and analyze the offerings of outsourcing companies capable of responding to requests for proposals to deliver any key aspect of your function. Similarly, investigate a business unit's ability and/or interest in supplying itself with functional expertise.



Lastly, demonstrate and communicate value at appropriate times. This is sometimes counter-cultural for the HR profession; however, your success in a competitive environment depends not just on the value you add but also on who knows you add value. The first step in demonstrating/communicating value is to measure outcomes, not output. In other words, focus on the consequence, not the action. Communicate the incremental revenue growth generated in a month, not just the number of new hires in a month. Discuss the *impact on earnings per share* made by the promotion of senior managers who *successfully completed* an executive development program.

Take a position on a strategic issue

When the time is right, leverage the aforementioned principles and take a position on a strategic issue that your company is facing. In order to get your invitation to the “table” you must be perceived as someone who can identify strategic issues and as someone who brings innovative solutions to the resolution of those issues.

Use good judgment when selecting the issue(s) for which you will engage yourself. Be practical and choose one that will generate a “quick win.” Search for a major new internal initiatives (particularly those that “bubble up” in the organization), a major customer-focused initiative or identify an issue generated by negative news and the need for risk management. Also, be sure to provide strategic thought leadership, backed by facts and analysis when you engage. For example, it is not enough to tell the CEO or COO that turnover is high and that we need to work on employee engagement in certain business units to improve. Employee Engagement, while real and effective, is still an esoteric concept to most at the C-level.

Take the conversation deeper by explaining what the turnover is costing the company today and how much the continued cost will affect profitability over a multi-year period. Then, provide a list of initiatives that you propose (after consultation and involvement with line management) along with the expected costs and benefits of such activities. Show this information in terms of investments, costs and benefits over a period of time, along with how these initiatives will positively impact the bottom-line over multiple years.

To score extra credit, explain the cost/benefit analysis in terms of net present value,



economic profit, and/or impact on earnings per share (if your company is publicly traded).

Conclusion

The ultimate goal of strategic planning is the identification and exploitation of opportunities along with the mitigation of risks, by aligning the goals and initiatives of an organization and by allocating the necessary and appropriate resources to deliver the desired results of its stakeholders.

The HR function can and should be involved at every step of the process. Successful execution of the aforementioned guiding principles throughout each phase of the planning process builds the perception of value of the HR professional and of the HR function.

Furthermore, the HR professional's position is strengthened by providing fact-based insight to stakeholders to enable their strategies, by shaping HR functional plans and policies & procedures to align resources to enable the appropriate initiatives and activities, and by aligning performance management systems to the strategic plan.

This proactive approach, well executed will ensure a “reserved seat at the table.”