

# Developing a Strategic HR Approach

by Corporate Research Forum

# crf

CORPORATE RESEARCH FORUM

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**Developing a Strategic HR Approach**

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<b>Contents</b>	
About CRF	4
Foreword	5
Introduction	6
The strategic role of HR	7
Understanding the business	9
HR's unique contribution	9
HR's deliverables	10
1 Improving organisational performance	10
2 Improving and developing talent	11
3 Delivering Transactional and Transformational change	11
4 HR service delivery	12
A Strategic HR framework	13
Key action points for consideration	14
Conclusion	15

## CONTEXT

We look to apply the principles of social science to HR practices to determine what factors make a difference and under what circumstances. We don't believe in 'best practice', which implies one size fits all, but we seek to identify good practice and define a set of operating principles that apply under most circumstances. Our view is that the business circumstances and conditions should influence HR's approach fundamentally. Some of these factors include:

- Existing business performance
- Current customer profile
- Geographical profile
- Employee age profile
- The environmental aspects from a legal, social, political and technological perspective
- The organisation time horizon i.e. short term or longer term
- The innovation profile
- Quality

### About CRF

Founded in 1994, the Corporate Research Forum is a membership organisation whose international focus is on research, discussion and the practical application of contemporary topics arising from people management, learning and organisation development. CRF has become a highly influential focal point and network for over 125 members representing a cross-section of private and public sector organisations.

- Its annual programme of research, events and publications fully reflects members' interests, in addition to the annual international conference. Side meetings and interest groups are also initiated to meet challenges that members might have.
- Contributors are acknowledged experts in their field with a worldwide reputation as leaders and innovators in management thinking and practice.
- Sharing and collaboration among members is a key feature of CRF's activities. We actively encourage networking at all events, and especially through member lunches and HR director dinners.
- The Forum is led and managed by highly regarded former HR professionals who have a passion for delivering excellence in the leadership and development of organisations and people.

CRF's goal is to be valued for excellence, rigour, relationship building and providing an independent view which, together, lead to measurable improvement in members' people and organisation performance.

To join CRF or to find out more, see [www.crforum.co.uk](http://www.crforum.co.uk), e-mail [enquiries@crforum.co.uk](mailto:enquiries@crforum.co.uk), @C\_R\_Forum or call +44 (0) 20 7470 7104.

## Foreword



Simon Howard

### Foreword

We are delighted to be associated with another fascinating and thought-provoking paper from CRF. In our own work with employers large and small, we see an accelerating convergence between successful business strategy and imaginative, innovative HR practice. The latest thinking on engagement and employer branding stresses the cardinal importance of aligning corporate objectives with the personal ambitions of the people who make the strategy happen.

As boards realise that the delivery of strategy and the deployment of talent are inextricably linked, HR and HR leaders suddenly find themselves in the limelight. From the re-modelling of financial services to the escalating fight for STEM talent, success in the new world is 'all about the people'.

This paper is essentially practical: it identifies the things you need to think about and the questions you need to ask yourself when developing a strategic HR approach. There are two big themes here. First, there is a growing recognition that organisations are different and there is no single best-practice model that fits all situations. New-era HR is about agility, professional confidence and purposeful innovation in the face of ambiguity and change.

The second theme is reassurance. Common sense and a cool head remain the best defence against uncertainty, upheaval and business complexity. This paper offers a logical route map for advances in performance, development of talent and delivery of change. As well as showing you the whole landscape in broad-brush terms, there are signposts here to help you focus on the issues and activities that matter most to you. We commend it to you.

### Simon Howard

Executive Chairman  
Work Group



Patrick M. Wright

For over twenty years I have been studying HR functions and HR leaders. During this time the functions have continued to attempt to be “strategic” and the leaders who failed to get their organizations aligned to support the strategy did not remain leaders for long. The quest to link HR and strategy (and vice versa) continues apace.

Based on interactive discussions with a number of leaders from some of the world’s most respected HR functions, the Corporate Research Forum’s “Developing a Strategic HR Approach” provides cutting edge thinking regarding the alignment of HR and strategy. The report delivers memorable models and practical diagnostic questions to aim HR leaders in the necessary integration of HR processes with business needs. Readers should take away valuable insights regarding how to understand their business, the role of HR in supporting business needs, and the approaches to aligning HR processes and systems to effectively meet the requirements of those needs.

**Patrick M. Wright**

Department of Management, Darla Moore School of Business at University of South Carolina

**Introduction**

Through our on-going research with our members we found that one of the major challenges facing the HR function is devising, but more importantly, implementing people strategy. With this in mind, we have prepared the following report which is a practical guide to some definitions, the steps required and pitfalls to avoid when developing and executing people strategy.

In preparing this report we are extremely grateful for the support of Work Group as our partner and the time and insights delivered from our advisory board which met in London on the 30th April 2013 to give their personal experiences and views.

The advisory board consisted of:

Celia Baxter, Group HR Director, Bunzl

David Billingham, Group HR Director, May Gurney

Hayley Brooksbank, Managing Director, Work Group

Tim Cooke, International Head of Human Resources, Eversheds

Jonathan Crookall, Group HR Director, Halfords

Derrick Crowley, Group HR Director, News International

Cathy Doyle-Heffernan, Group HR Director, Dyson

Neil Foulger, Managing Director HR, Liberty Global

Mike Haffenden, Director, CRF

Siân Harrington, Editor, HR Magazine

Neil Hayward, Group Director Performance & Employee Relations, BT Group

Geoff Lloyd, Group HR Director, Serco

Paul Lomas, HR Director - Central Functions, WorldPay

Andy Newall, Group HR Director, Imperial Tobacco

David Russell, Group HR Director, William Hill

Mark Sandham, SVP, Organizational Effectiveness & HR Operations, Thomson Reuters

Georgina Severs, Client Partner, Work Group

Murray Steele

Rachel Stock, HR Director, Hearst

Martin Warren, Practice Group Head, Human Resources Group,  
& Head of Labour Relations, Eversheds

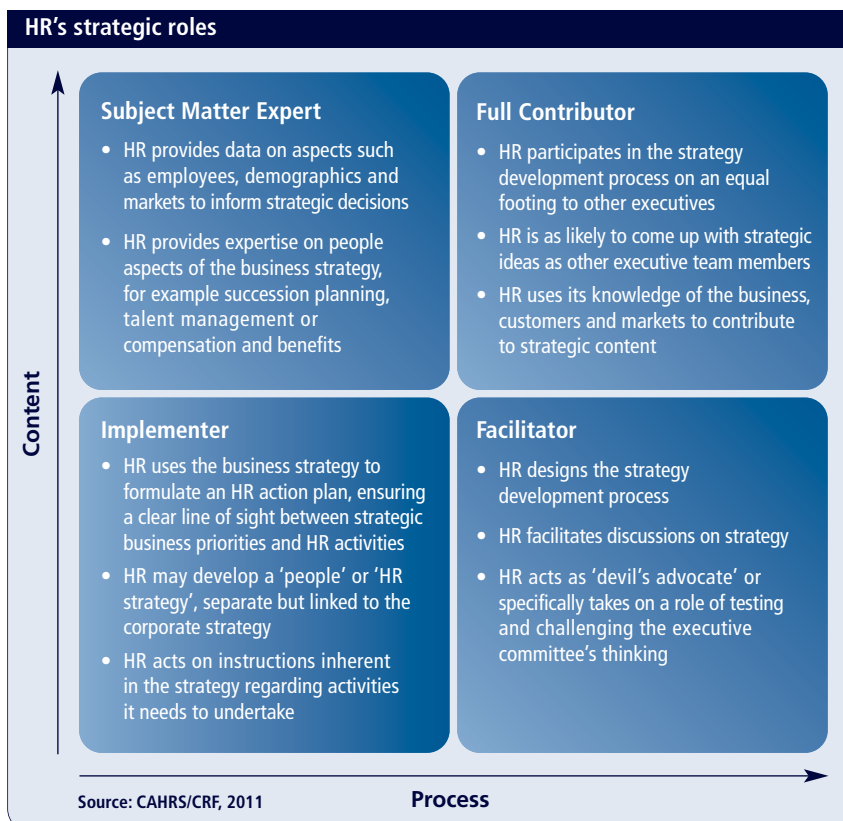
“We should remember that HR is a function, not an end in itself, which is why I think we should talk about people - rather than HR - strategy in this context.” **Geoff Lloyd, Group HR Director, Serco**

### The strategic role of HR

One of the recurring themes of our research is the need for HR to ensure there is a clear ‘line of sight’ between business strategy and HR actions. HR has to interact with the business to input to, understand and deliver corporate strategy. How an organisation chooses to develop strategy and the degree to which HR is involved depends on some or all of the factors below:

- Relative power and influence of group/corporate centre and business units.
- Degree of business portfolio homogeneity.
- Nature of business and planning time horizons.
- Organisation maturity of internal processes.
- Corporate culture and CEO’s preferred style.

HR’s role in strategy differs depending on the organisation. CRF’s 2012 report ‘Developing an Effective HR Strategy’ identified four strategic roles HR can play, depending on the needs of the business and the capability of HR leaders. An HR Director may take on more than one of these roles at different times. However, we think it is difficult for an individual to act as ‘Full Contributor’ and ‘Facilitator’ at the same time, as the latter has to focus on process.



### Does HR strategy exist?

Should HR strategy exist in its own right or is it merely an element of business strategy - or HR’s action plan for delivering business strategy? And, what is the difference between people and HR strategy? We find that the more ‘strategic’ HR functions tend to:

- Integrate people elements into business strategy rather than have a separate HR strategy - although they do have functional HR plans.
- Refer to the people elements of business strategy as ‘people’ rather than ‘HR’ strategy.

We conclude that it is better to have one business strategy incorporating people elements, as there are likely to be stronger linkages between people and the business if they are in one document. However, whether there are one or more documents, it is more important to have a clear line of sight between HR’s activities and business needs. Therefore, we prefer the terms ‘people strategy’, describing the people elements of business strategy, and ‘HR plan’, referring to the actions HR takes to support business strategy.

### Your checklist

- In which quadrant(s) is HR positioned in your organisation?
- Where should it be?
- Where does it want to be?
- How do you know the business is getting what it wants/needs from HR?
- How does HR need to work differently, in terms of activities and relationships?

“HR strategy cannot operate in isolation of the business strategy, otherwise it’s HR for HR’s sake. It exists only in a complementary sense to the business strategy.” **David Russell, Group HR Director, William Hill**

### Emergent versus Intended Strategy

Strategy development and execution is a structured, regular activity for many organisations. However, the pace of change in some industries can render a well-defined strategy obsolete very quickly, requiring an ‘emergent’ approach to strategy. Opportunism can be an effective strategy, but successful execution requires people who are capable of ‘seizing the moment’. In this context, HR needs to take the lead in developing organisation agility. Particular skills are needed:

- Focus on ensuring the business has the right people with flexibility, transferable skills and capacity to respond to changing circumstances.
- Develop organisational capability to respond: can the organisation design/ structure be reconfigured quickly? Can we turn resource on and off as required? Are our systems and processes flexible enough?
- Being light on its feet – putting programmes together quickly to respond to the developing business environment.

### Your checklist

- What are your business objectives and needs?
- Do all your initiatives have:
  - Objectives
  - Evaluation
  - Theoretical underpin
  - Project plan or process map.
- Do all your key HR activities sit in the high value-added boxes?
- Are you focused on complex/sophisticated things that add no value?
- How do you communicate success?
- Remember added value is in the eyes of the receiver, not the giver.

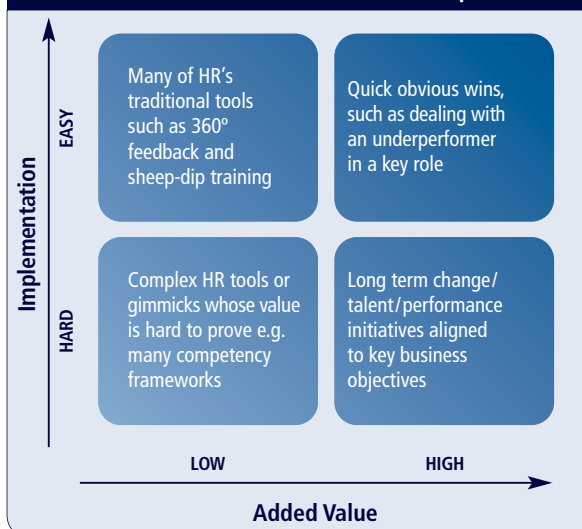
The HR or people strategy does not need to be written down or may simply be part of the overall business strategy. Indeed, excessive attention given to documenting the strategy can distract from engaging with the business, taking action and measuring outcomes.

We find that effective people strategies - whether written or not - have the following features:

- A focus on understanding the business needs before deciding what to do.
- A good understanding of how the organisation’s people and capabilities enable success, and how HR can help the business become more competitive.
- Clear linkages between HR actions and business outcomes.
- Business buy-in to HR’s agenda and action plan.
- Clarity around the respective roles of HR and line managers in delivering the people plan.
- Close alignment of expert and generalist HR activities focusing on a common purpose.
- Tracking and communicating performance against metrics.
- Good change management capability and the ability to manage complex projects and deliver results.
- A feedback loop for evaluating the effectiveness of strategy.

With the resource pressures that apply to HR, it is necessary to consider what HR’s priorities should be. There is a need to focus on the important, not the urgent or fashionable. Critically evaluating all HR activities using the matrix below can help determine priorities.

### HR’s Priorities - How do we focus on the important?





“HR is always going to be a combination of tactical and operational stuff with a good eye on what the business is trying to achieve from a medium term strategic perspective. For most organisations HR taking a far sighted strategic view is not what the business needs or will value most.”  
**David Russell, Group HR Director, William Hill**

### Understanding the business

We make the point above that an effective people strategy must follow on from the business strategy, and HR must have a good understanding of business needs. Ultimately businesses exist to make money, and HR should play a significant role in this. HR's strategic approach needs to reflect the unique features of the company and industry in which it operates, and be linked to how the business makes money.

- Strategy time horizons differ from one industry to another, and this affects HR's role. For example, retailers operate on much shorter time horizons than pharmaceutical companies.
- In being 'strategic', HR must not lose sight of the importance of short-term plans and delivering things in the here and now. Too much emphasis on the future while the business is struggling with an immediate crisis can lead to HR being alienated.
- HR can be preoccupied with the perennial issue of whether it is 'strategic or not', and feel undervalued if it is not perceived as 'strategic'. The answer is it depends on the circumstances, and sometimes tactical delivery can be of critical importance.

### HR's unique contribution

HR Directors come from a variety of backgrounds – many having worked in other functions – which can bring new ideas and a different perspective. However, sometimes organisations 'parachute' people with little experience into senior HR positions. It is critical that senior HR professionals understand the complicated subject matter of HR and people management, and promote good practice within the organisation. HR's contribution can easily be devalued by bringing in inexperienced executives. We would highlight particular areas where HR can take on a unique role:

- Helping the organisation develop a compelling vision which is engaging to employees, and 'bringing it to life' with staff.
- Coaching and developing senior executives in areas where they may be deficient, particularly people management.
- Developing a strong relationship with the CEO, becoming a trusted advisor.
- Being able to relate to others within the business and build relationships that allow HR to keep a finger on the pulse and anticipate issues.
- 'Holding the mirror up' to ensure what the organisation does is consistent with its stated values. However, this can be fraught with danger and requires experience, track record and courage.

### Your checklist

- How well do you understand your company strategy? Could you explain it simply to someone from a different organisation or industry?
- Are you clear about how your company makes money and where its competitive advantage lies?
- Are you delivering the tactical things the business needs as well as working on 'strategic' issues?
- Remember, business is about making money - don't lose sight of this!

“HR can play a pivotal role in not just responding to circumstances but in creating a successful future through the special insights and skills we bring.” **Geoff Lloyd, Group HR Director, Serco**

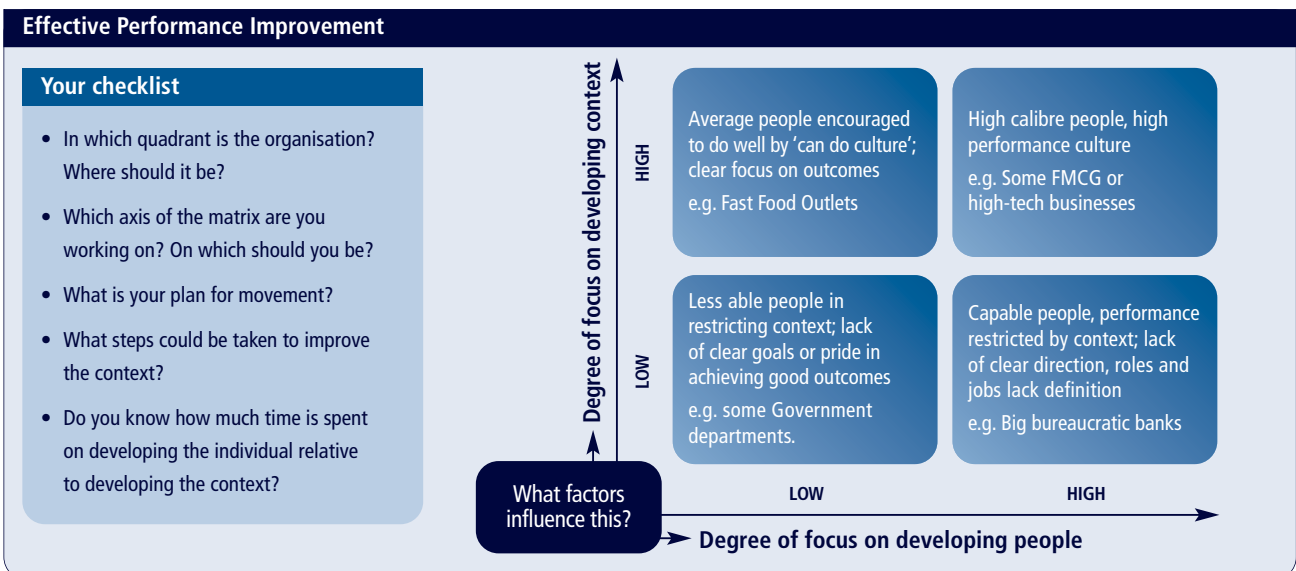
**HR’s deliverables**

**Key deliverables for HR are:**

1. **Performance:** Improved organisational performance
2. **Talent:** Improved talent resourcing and development
3. **Change:** Effective implementation of transactional and transformational change
4. **Operations:** Accurate, on-time, HR operations and services

**1. Improving organisational performance**

- A critical question for HR is what is meant by ‘performance’. This is not always as easy as it sounds, both at an individual and organisational level. Performance should be couched in output terms, and linked to business metrics. For example, consider HR’s contribution to improving sales, market penetration, cost reduction, customer satisfaction, quality, innovation, improved processes and improved time to market. Triangulation is often the only way of assessing performance.
- Most HR functions focus on developing and improving people as individuals rather than focusing on the business context and organisational culture in which they operate. Developing people without improving the environment in which they are employed is likely to be futile.
- Focusing on context means having a performance culture ‘where every business and management system is designed to focus everyone on producing measureable performance’. (Dr John Sullivan, Professor of Management at San Francisco State University). In practice this means a clear sense of purpose and values, focusing on the customer, a can-do culture, output-orientation and decisive action in the face of poor performance. The matrix below illustrates:



“Organisations are experiencing more and more change. Typically, they are trying to do more than they can cope with. Priorities continually shift. Organisations need to think clearly about how to diagnose and understand organisations during a change process. Every type of change now is complex and interconnected.” **Professor Bill Pasmore, Professor of Practice, Columbia University**

## 2. Improving and developing talent

CRF's research report 'Developing an Effective HR Strategy' found that, by far the highest priority on the CEO's agenda for HR is talent, and this is a key area where the HR function can take the lead. 'Bench strength', particularly of middle management, can be critical in pulling an organisation through difficult circumstances. HR has a key role to play, not just in engaging resources needed to support growth, but also to ensure there is a firm infrastructure in place to make a difference in tough times.

We would highlight the following points which require careful consideration when constructing a talent strategy:

- Defining the employer brand. What do you stand for and why would people want to work for you? How is it linked to business strategy?
- Do you know what you have in terms of talent? Do you have people who are ready to take on critical roles? If not, what are you doing about it? It can be easy to fall into the trap of hiring from outside while failing to make the most of existing talent.
- Do you know your key jobs and key people? Who can you not afford to lose? Do you have your best people in pivotal jobs? Are they being stretched? What is the process?
- Do your critical people know they are valued and do you have plans to prevent them being tempted away from the organisation? Is there an active retention policy in place for key employees, both top and emerging talent?
- Are your processes to attract, source, recruit and onboard the most suitable candidate for each role fit for purpose?
- Is there a clearly defined and communicated succession planning policy in place? This should be owned by the business, not HR.

Note that development initiatives should have clear focus on required results, specific outputs, organisational relevance and a methodology for evaluation.

## 3. Delivering Transactional and Transformational change

In a context of constant change, HR needs to develop capability and capacity to deliver transactional and transformational change. Indeed, change management – the ability to unite the business around a common agenda and deliver complex projects – underpins every initiative that HR undertakes.

Key skills required include:

- Business acumen and analytical skills. Help the business identify the destination, and develop and evaluate workable alternatives for achieving goals.
- Negotiation skills and resilience. The ability to articulate why change management is so important and challenge the organisation on how much change can realistically be digested. What should you stop doing? This is as important as 'start doing'.
- Expertise in organisation design. Know what works and what doesn't and what practical steps can be taken to achieve goals.

### Your checklist

- Does your HR team have these skills?
- Which teams in your organisation have these skills and what can HR learn from them?
- Do you have sufficient resource with expertise in these areas?
- Where externally is the best place for your teams to develop these skills?

“It’s a truism that we need to get the ‘basics’ right but in many cases we get caught up in them and cannot move up a gear when the opportunity presents itself. Sometimes we take refuge in delivering services rather than take the risk of challenging ourselves to look more holistically at our organisations.”  
**Geoff Lloyd, Group HR Director, Serco**

#### Your checklist

- Do you know what the minimum requirement is of HR and are you meeting it?
- What does the business think of HR? Do you know what the business expects/needs?
- How does HR communicate with the business and can this be improved?
- Is your HR model fit for purpose?
- How do you evaluate HR’s performance?
- Is HR proactive or reactive?

- Project and programme management. Able to work with the organisation to define change programmes with clear and agreed plans.
- Hearts and Minds. Understand how to achieve engagement and alignment around programme goals and deal with emotional and psychological aspects of change.
- Deliver. Manage and deliver complex projects and measure results.

#### 4. HR Service Delivery

Excellence in HR operations is the minimum standard which is required for the HR function to operate effectively.

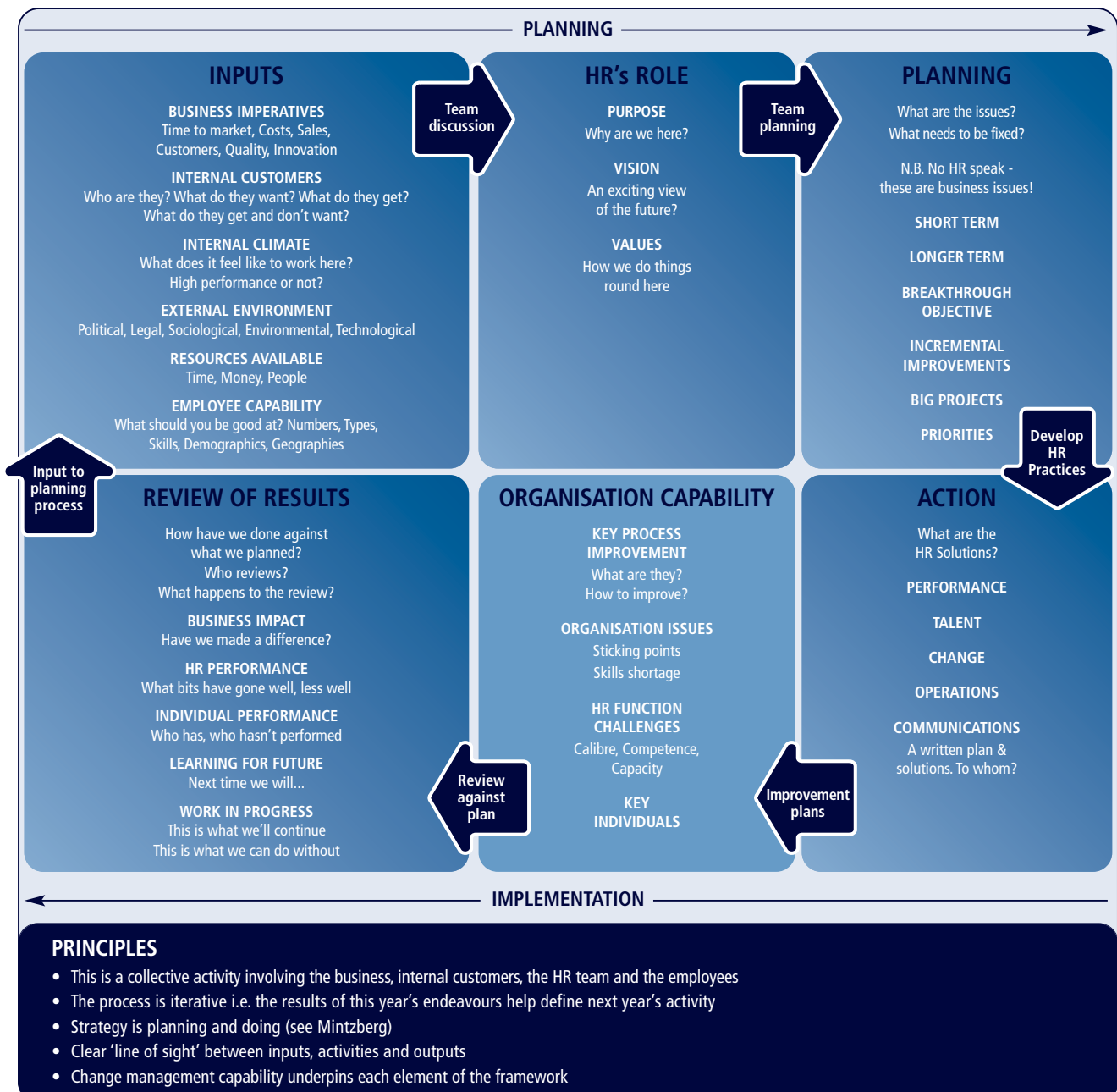
Effective HR operations have the following characteristics:

- Clear understanding of internal customers:
  - Who they are
  - What products and services are provided
  - What do they want and don’t get
  - What do they get and don’t want.
- A clearly defined purpose, understood by HR and its customers.
- Well-defined objectives and performance improvement targets, expressed in terms of business outcomes. Measure from the customer’s – rather than HR’s – perspective.
- A constant improvement remit. What have you done to improve processes?
- Focused on driving simplicity and increasing speed without taking unnecessary risks – applying only the minimum amount of process.
- Visible and time responsive.
- Measure whether value for money is being achieved and whether the outcomes of HR initiatives justify the time and resource spent.
- Have expertise in:
  - Employment legislation
  - Company policies
  - Their business
  - The role of the region and group centres of expertise/excellence
  - Assessing people
  - Assessing situations and diagnosing appropriate actions
  - Business in general.

“You can’t create an HR strategy in isolation and keep it internally focused on HR activities and deliverables. Rather, you must understand where the business is headed, what kinds of talent are needed and in what countries or for what customers, and at what cost.” **Mark Sandham, SVP, Organizational Effectiveness & HR Operations, Thomson Reuters**

### A Strategic HR Framework

We have developed the following as a working framework which looks to systematically encapsulate the major stages of delivering a strategic HR approach.



### Key action points for consideration

Our experience of working with HR functions highlights a number of areas where HR can challenge itself in terms of its purpose, practice and outputs:

- How is people strategy formulated, communicated, enacted and evaluated in your organisation?
- Are HR resources and the structure of the function aligned to the business strategy? For example, a strategy of growth and innovation suggests HR should focus resource in R&D, M&A and talent development; a retrenchment strategy would imply focusing on cost cutting and restructuring.
- Are the links between the corporate strategy and HR deliverables clearly articulated? Failure to do so can lead to ambiguity and misunderstanding.
- Are HR activities and initiatives properly aligned to each other? Avoid the tendency towards 'Clusters of One'. Often HR initiatives are launched with little regard to business objectives, values, culture or indeed what has gone before. A more holistic approach is necessary when considering what HR should do. For example, talent and reward strategies should be closely aligned.
- Is it clear what is unique about HR's contribution to your organisation? Many HR strategies feel generic and could apply to any organisation.
- Are you spending time doing the things you should be doing? Be ruthless about stopping nice-to-have activities that are not aligned to key business objectives. Be prepared to say "no".
- What is the calibre of the HR team? Is it sufficiently commercial, business savvy and equipped to deliver projects and programmes in a professional manner?
- What is the role of the centre/region versus the operations? Are there clearly defined areas of activity?
- What is the balance between cost and excellence in execution?
- Is the balance between HR and line delivery appropriate?
- Is there a clear understanding of the value chain, the priorities for HR and how to make improvements?
- Is there an HR breakthrough which, if delivered, would take the business forward by a quantum leap? Is the outcome expressed in business terms and is it valued by the business? What are the support strategies to deliver it and how will it be communicated?
- Are language and KPIs expressed in business, not HR, terms?
- Getting buy-in is critical. This includes the HR, line and Executive teams. HR should encourage a culture of 'no surprises'.

“Today’s HR leaders need to be driving the conversation around business direction, where to invest money in resources, what kinds of acquisitions to go after, what the talent pipeline is and should be, and how we’re developing our leaders for the future.” **Mark Sandham, SVP, Organizational Effectiveness & HR Operations, Thomson Reuters**

### **Conclusion**

The purpose of this paper is to offer challenge and to prompt debate. We would recommend, above all else, that the future direction of the HR function is directly aligned to the business strategy and that due consideration is given to both individual and organisation performance. It is clear that in order to support the organisation, there is always a need for the function to apply itself to improving organisational performance and identifying and developing future talent, while delivering transactional and possibly transformational change. At the same time, excellence in HR operations will be a minimum standard for the function to operate effectively.

All this is set against a changing worldwide economic background and we must never assume that the underlying conditions under which we develop our people strategies are going to remain the same. Macro-economic changes affect us all.

If you would like to explore any of the points raised, please contact Lynn Little on 020 7470 7104 or at [lynn@crforum.co.uk](mailto:lynn@crforum.co.uk).

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