

HR Strategic Planning: How to Chart the Course of HR's Role in Your Organization

There was a study done in 2015 at the University of Michigan looking at what impact HR competency has on business performance. They did the study repeatedly over the course of about 16 years, and this is what they found:

If HR really wants to impact the business, they have to show strategic contribution.

But here's the problem: I don't know that a single HR person I've ever spoken to has actually put together a formal HR strategic plan.

They may have pieces of it—I often hear that they have a “great recruiting plan” in place—but that's not enough. HR folks need to start thinking about all the other areas that go into HR. What are the key things that really allow you to drive strategic contribution for your business?

There are 6 key areas where HR can contribute to the overall strategic business plan, but rarely does.

Market Trends

HR is typically very quick to talk about the unemployment rate or the shortage of labor in their particular industry. While that certainly is a type of market trend, I believe that where HR misses the boat is in failing to look at the trends impacting the overall business.

Where is the company going? Why is it going there? What is the company's strategic imperative? Why?

HR can only be effective in helping the company meet its strategic imperative if it can match its strategic plan to the strategic plan of the company. The first piece to that is knowing what market trends the organization is dealing with.

Key Business Metrics

It's critical to look at how HR impacts the key business metrics of the company. For example, if the company wants to capture more market share, what are the ways HR can help with that? They might hire salespeople to help the company capture that market share, and design incentive packages to incentivize them to actually do it.

Profitability is another good example. If the company wants to increase profitability, what people mechanisms need to be evaluated? Perhaps HR needs to conduct more training to make people more productive, and change incentive packages to incentivize the right behavior. What else might be impacting the profit margin that HR can contribute towards?

Financial Analysis

I'm always amazed when I go to conferences and the session on Accounting 101 for the HR Professional is packed. On one hand, that's great and it tells me that HR wants this knowledge.

On the other hand, I'm disheartened. How are we not past Accounting 101 yet? When it comes to financial analysis, one of the most important questions to ask is: how is HR measuring its impact on the company's financials?

An HR person might say that they've reduced turnover by 5% and that equates to \$X in savings. Sound familiar?

That's all well and good. But is reducing turnover really what we want to be doing? Perhaps a better way to impact the financials is to allow some turnover so HR can recruit in more highly qualified and motivated talent.

My point is, I'm not convinced that HR is always looking at the right financial metric when it comes to measuring impact on business financials.

For example, think about HR's relationship with vendors. Often, I see people getting caught up in looking for proposals for a new system or project or whatever and just choosing the cheapest solution. But why aren't we thinking about value? HR, like any other function, needs to calculate the ROI for each system. If we want to be savvy on financials as HR, we need to be willing to do a true cost-benefit analysis on each provider.

I had a situation where a client brought in a new benefits broker and they saved \$60k right off the top. That broker was more expensive than the person they had been using, but the broker brought more horsepower and added more value. That's the depth we need to get to as HR people.

Environmental Changes

What's happening in your workforce and your industry that might be impacting your ability to attract, retain, and motivate talent?

This is similar to market trends, but not the same. Look at environmental changes in terms of its impact on your business and other businesses.

This goes back to key metrics. One of the metrics HR commonly uses is low turnover. When you break that down into departments, maybe you see that one department has extremely low turnover because 5 out of the 7 team members have been with the company for 30 years, but the other 2 positions are turning over 3 or 4 times per year.

The environmental change there is a change in demographic. The 5 older workers have been with you for a long time, but the other 2 positions keep getting filled by younger talent that doesn't want to stay. That's an environmental change, and sooner or later you'll lose the other 5.

A whole new type of worker is coming into the workforce. Will you play the victim, or will you figure out what it will take to retain younger talent?

Customer Feedback

HR often fails to look outside the 4 walls of their company to see what drives customers to do business with their particular company. But that's critical knowledge for an HR person that affects how we recruit, retain, and motivate.

What are customers telling us about why they want to work with us? A company like Apple, known for its innovative products, needs to recruit the best and the brightest to help them develop more whiz bang products. Is your customer service top notch? Then you need to recruit people willing to go the extra mile.

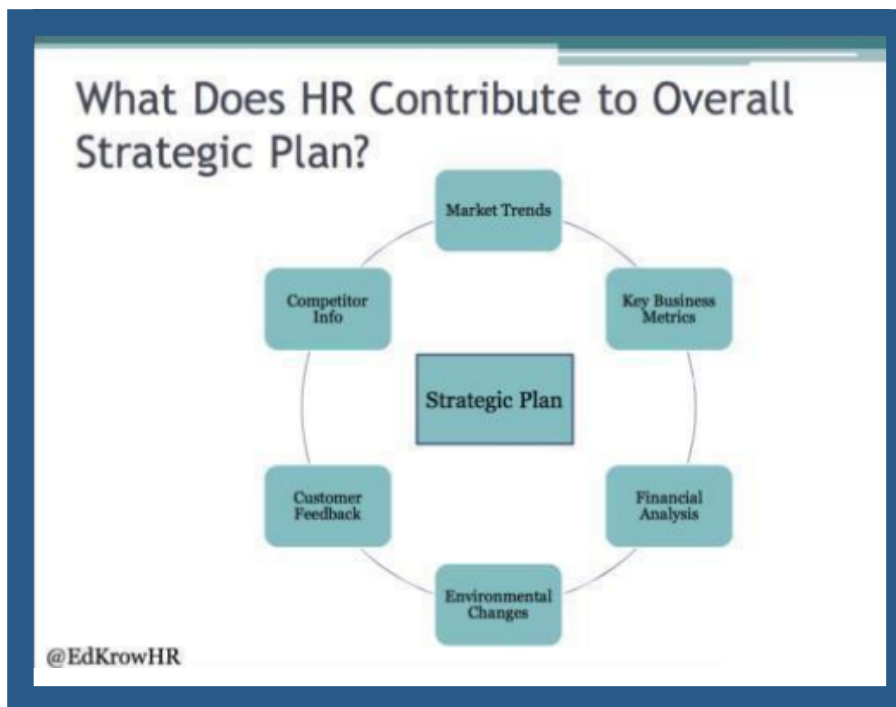
If you don't know what customers are saying about the business, how can you effectively draw up a great plan for how to manage HR in the company?

Competitors

When I talk to HR about knowing what their competitors are doing, they say they have no idea how to get that information. Of course, they're saying this as we're sitting at a meeting of 100 HR professionals!

There is a war for talent and we're all competing with each other. I'm a big believer that you're in groups like SHRM to network and learn what's working (and what isn't) for other companies. But you can't be afraid to pick up the phone and ask. How are other HR professionals turning things around, and how can you do it, too?

You must also understand your true business competitors. Where are you better? How can you maintain that advantage? Where are you behind? How can you bridge that gap?



The rest of the executives in any organization are concerned with these 6 items, so HR needs to be concerned about them too.

Based on the Michigan study, there are a few basic steps HR can take to develop a strategic plan that addresses each of these areas.

- **Decide how many plans you need.** Depending on the size of the organization, you may need more than one HR strategic plan. If you have a smaller company, one may be fine. But if you have 3 plants scattered around the country, what works in one demographic may fail in another.

- **Look at the list of 6 areas and prioritize.** Which area is the most important one that needs to be attacked right away?
- **Identify your competitive advantage and how to measure it.** I think HR sometimes misses the boat by not looking at why the company is where it is and how HR is contributing to it. What buttons are you pushing at what point in time and how is that creating an impact?
- **Decide on your desired culture.** What kind of culture do you need to work on to support your key business metrics?
- **Create the tactical piece of the plan.** How do you identify the key things HR needs to do? How will you handle workflow, people, performance management, and other duties? How will you push the buttons for compensation, benefits, work-life balance, performance & recognition, and development & career opportunities to impact each of the 6 areas?
- **Decide how you will implement your plan.** This is the most critical piece of all. So often, I see strategic plans developed and then the binder gets put on a shelf to forget about for 3 years. What is your plan for implementing your strategy? Who will do what and when? How will you know if it is successful?

As you create your strategic plan, make sure you include the following key items:

- Recruiting Plan
- Employee Engagement/Communication
- Performance Management
- Training & Career Development
- Total Rewards
- Work-Life Fit
- Succession Plan

I think what overshadows everything else we've discussed is the personal credibility of the HR person looking to implement the strategic plan.

As HR professionals, we have to ask: do we have the decision making and change adaptability we need to have in order to support the business through a strategic plan? Do we have the ability to do things in a different way? Are we willing to do that? If so, then we can really have an impact on the business.

As you reflect on the state of HR strategic planning in your organization, I encourage you to ask yourself: where is your company currently? What input can you provide into the strategic plan? Given what you know about your current strategy, what do you need to do from an HR planning perspective?



Ed Krow works with executives and business owners who are struggling with people problems, such as adapting to changing business conditions and customer, investor, or community expectations.

He turns irrelevant and ineffective HR functions into strategic contributors by aligning HR with the business objectives. As a result Human Resources actually drives business results. Ed's clients often refer to him as their HR Doctor because of his ability to quickly diagnose and treat the ailments in their workplaces. To date, Ed has completed over 700 projects for more than 250 clients across nearly all industries.

Ed is an advocate for using Organizational Development strategies to drive business results. He speaks to senior leaders across the United States and Canada about how to turn their people into strategic contributors.

Ed's clients and audiences include organizations as diverse as Johnson & Johnson, Goodwill Industries, Penn State University, the U.S. Army Corps of Engineers and UTZ Snack Foods.

When he's not working with clients, Ed can be found teaching at Millersville University. In his free time, Ed enjoys family time, travel, golf, the outdoors and Notre Dame and Baltimore Ravens football.