BUSINESS STRATEGY FOR HR

Tools and Resources from the HCI Webcast “How HR Impacts Business Strategy Immediately”

Human Capital Institute
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WHY THIS MATTERS

HUMAN CAPITAL STRATEGY AND BUSINESS STRATEGY CONVERGE TO CREATE VALUE

Business Strategy

Human Capital Strategy
What These Are

These are links to five popular business models that will help you broaden your understanding of business strategy from a high-level perspective.

In many cases, you may find that your organization is using one of these models and this will help you understand the foundational elements of each of them.

Suggested Use

- Ask your HR leader or business partners if they can share with you what strategy model your organization uses and then use these links as a self-study to gain more depth in the one(s) your organization uses.

- Do a brief study of the models and formulate questions from them to engage your business partners in conversation around your organization’s strategy and how that affects the capabilities and talent required to execute the strategy.

- Use the models to “audit” your company’s strategy and:
  - Link this to the human capital strategy as you see it and then confirm this with your operating colleagues.
  - Confirm and discuss this with your own HR/talent management organization.
POPULAR BUSINESS STRATEGY MODELS

Blue Ocean Strategy

Value Discipline Model

Balanced Scorecard
https://bit.ly/3ed1mDi

SWOT

Porter’s 5 Forces
https://bit.ly/2T5XaeW
What This Is
A graphic that shows the relationship of the business and talent strategy in order to drive an organization’s growth and value.

Suggested Use
In presentations and conversations to create the context for why aligning talent and business strategy is so important. It answers the question of “Why we are doing what we’re doing.”
Porter’s 5 Forces

What This Is

A visual depiction of Michael Porter’s model that is widely used by companies for strategic planning.

Suggested Use

- To guide planning discussions or to assess current strategic plans
- As a template for discussions with your operating partners in the business

Read more about Porter’s 5 Forces
PORTER’S FIVE FORCES ANALYSIS

Threat of New Entry

Supplier Power

Competitive Rivalry

Buyer Power

Threat of Substitution
The Flow of Strategy

What This Is

Strong strategy flows from the mission/purpose of an organization. This is what sets the context for “why we do what we do.” Once the mission is established, the next question is, “What does it look like when we succeed?” This is the vision of the organization, the aspirational view of the future.

With the mission and vision firmly in place, the next question is, “What is the business strategy necessary to achieve our vision?” The business strategy answers the four most critical questions to a successful plan:

- What problem do we solve?
- For whom do we solve it?
- What makes our solution/product the best of all alternatives our customers have?
- What do we have to believe (critical assumptions)?

With these answers in hand, the critical work of aligning business and human capital strategy to accelerate the creation of value begins. This work is framed by answering the question, “Given our business strategy, what does our strategy for talent acquisition, engagement, development, and retention need to be?”

Answering these questions is what causes a clear flow of strategy throughout an organization and a healthy alignment where talent and business strategy converge to produce value for employees, customers, communities, and investors.
THE FLOW OF STRATEGY

Mission
What our core purpose is

Vision
What it looks like when we win

Business Strategy
How we create value for those we serve

Functional Strategies
- Operations
- Finance
- Marketing/Sales
- Legal, HR, IT

Human Capital Strategy
How do we create a talent strategy that aligns with and accelerates our business strategy?
What This Is

For several years, HCI has researched what the most effective HR and talent management professionals do to drive organizational success. The results are a capability framework that outlines four dimensions of strategic HR we believe are crucial for practitioners as they become high impact strategic partners to the business. Below is a description of each of the capabilities:

**Know the Business:** Being knowledgeable about your organization’s current and future business strategy is essential. Speaking the language of business enables you to mobilize processes, resources and initiatives to drive the success of the organization. Rather than just reacting to the organizational environment, you can use human capital strategy to drive business strategy, and understand where and how those two plans meet.

**Consult and Collaborate:** It is important to illustrate how talent solutions can accelerate business success, and understanding and leveraging your role as an HR/talent management expert is crucial. Creating a convincing business case requires the ability to ask effective questions and diagnose the root cause(s) of talent and business challenges.

**Use Data for Insights:** The ability to develop insights that matter to the organization is often the difference between...
getting a seat at the table or being relegated to the sidelines. It begins with identifying the correct metrics, aggregating and analyzing data, and using those figures to tell a compelling story that provides direction and encourages support of talent initiatives.

**Create Strategy-Based Solutions:** Determining the right solution requires talent expertise and business acumen. More than that, you need to know how you can measure and scale these solutions to reach the whole organization. Your ability to inventory existing and potential talent management levers to effectively drive your organization’s success is critical.

**Suggested Use**

**For Individual Practitioners:** As you work toward becoming more strategic, you can use these four capabilities to help guide your path. If you visit hci.org/assess, you will find a short assessment that will help you determine your strengths and opportunities related to these capabilities.

**For People Leaders:** If you are responsible for helping your team work at a more strategic level, you can use these capabilities to chart individual or team development plans. HCI has an organizational assessment that will help identify individual and team strengths and opportunities related to the knowledge and skills in the capability framework.
**Create Strategy-Based Solutions**
- Inventory talent management levers
- Design solutions for internal customers
- Scale programs to impact business results
- Manage change

**Use Data for Insights**
- Assemble the metrics and expertise to test hypotheses
- Analyze data
- Develop actionable insights
- Communicate the context of findings and recommendations

**Strategic HR Capability Framework**

**Know the Business**
- Understand current and future business strategy
- Identify industry trends and challenges
- Speak the language of business
- Partner with managers and leaders to build alignment

**Consult and Collaborate**
- Use a variety of questions to understand needs
- Diagnose root causes of challenges
- Monitor and respond to feedback
- Influence key stakeholders
What This Is
A self-assessment to give you an indication of how strategic you are and how you might shape your business strategy development skills.

Suggested Use
- Take the assessment yourself to guide your personal development path to being a high-impact strategic HR partner in your business.
- Have your entire team take the assessment and develop your plan to align your efforts to build these skills across your entire area.

Take the Strategic HR Capabilities Assessment now.
What This Is

Your checklist of questions to open conversations about strategy to drive alignment, guide the build-out of the human capital strategy, and increase the depth and relevance of your conversations with your operating peers across the business.

Suggested Use

■ As a checklist for strategic planning

■ As a tool to engage operating peers across the company in more strategic and relevant conversations

■ As a tool to help you assess how well the business strategy is understood across your organization and to look for opportunities to create improved understanding and alignment

■ To test how well your HR organization is aligned with the meaning of your organization’s strategy
Questions to answer when communicating business strategy:

- What is our purpose as a business? (Mission)
- What does it look like when we succeed? (Vision)
- Why do we believe we will win?
- What competitors are we most concerned about?
- What problem do we solve?
- For whom do we solve the problem? (Target Market)
- What capabilities do we have/need in order for our strategy to succeed?
- What are the key initiatives we will focus on to be successful?
- What will we stop doing as a result of our strategy?
- By what evidence/metrics will we track our progress?
- What changes to our culture, if any, will we need to make in order to succeed?
- Who will deliver the message?
- What makes our solution/product the best among the other alternatives our customers have to choose from? (Value Proposition)
- How do we structure our message for different functional areas within our organization (video, in-person, small groups, town hall, etc.?)
HIGH-IMPACT, STRATEGIC QUESTIONS

Use these questions when you are consulting with your internal clients to gain a better understanding of the business strategy and all its implications on human capital strategy.

Strategy
- What problem do we solve? For whom? Why is it unique? What do you have to believe?
- What value discipline do we prioritize?
- What does success look like?
- What are your strategic priorities/initiatives?
- How will we know when we’ve achieved our vision?
- Why are we doing what we are doing?
- How do we make money in your area?
- Why will we win? How will we win?

Measurement
- How do we track progress?
- What are the key evidence points that our strategy is working (metrics, milestones, etc.)?
- What is our “absorption” measurement (how effectively is the message understood)?

Communication
- Do we have a clear strategy statement? Communication plan?
- Where does strategic communication break down in our organization? How do we fix that?
- How, where, and how often do we need to communicate in order to get alignment on the business strategy?

Issues/Derailers
- Who or what might disrupt our strategy?
- What should we stop doing based on our strategy?
- What key issues do we have to overcome? Do we have the talent to do it? What are our biggest potential derailleurs?

Competition
- What are our competitors’ likely responses, given our strategy?
- Which ones do we need to learn more about?
- Do we see any new disruptive competitors or technology on the horizon?

Capabilities and People
- What capabilities are most necessary to execute our strategy?
- Who has ownership and accountability?
- What current capabilities are most leverageable and what new ones do we need to execute our strategy?
- What capabilities do we need to acquire?
- What capabilities can we build through internal development?

Acceleration of Strategy
- What culture do we need to accelerate our strategy?
- Are we organized the right way to accelerate our strategic success?
- What do we need to stop doing because of our new strategy?
What This Is

When we boil business strategy down to its essence, it revolves around intentional answers to these foundational questions.

Suggested Use

- Provide your answers to these questions regarding your own organization’s business strategy.

- Discuss these amongst your HR peers and leadership to check for continuity.

- Then, discuss these with your operating team peers/internal clients to check for continuity and alignment. Discuss discrepancies and/or gaps to drive alignment.

- Make certain your strategic planning process addresses these specifically as they will form the foundation for strategy communication across your organization.
FOUR STRATEGIC QUESTIONS YOU MUST ANSWER

What problem do we solve?

For whom do we solve it?

Why is our solution the best of all available to our clients?

What do we have to believe (critical assumptions)?
What This Is

A template to help you build your ability to concisely and understandably “say your strategy.” This is a key tool to enhance the communication of strategy in an understandable way that simplifies the complexity of how to talk about business strategy.

Suggested Use

■ Create a version of this for your company and then discuss it with your peers and leaders to check for accuracy and get a sense as to how aligned (or not) your organization is around the business strategy. Employees cannot align with and execute a strategy they cannot understand.

■ Consider having this conversation with your HR team to look for consistency and gaps in understanding.

■ Use this with new employee onboarding to help them understand how your company works to create value and how they will fit into this in their new position.

Please reference the Edward Jones or HCI example of this in the webcast deck you received.
STRATEGY STATEMENT

To...  (objective)
By...  (time frame)
By...  (method/offer/plan)
To...  (target market/segment)
How...  (delivery/channel)
What This Is

This *Strategy on a Page* document allows a department to capture the mission of the department and its role within the organization in one visual. Each professional in your department can see their role connected to the mission of the department and the organization.

Suggested Use

- To establish the context for the development of the overall HR strategy within your department
- To add a quantitative element and outcome-based focus to the overall plan to increase HR’s effectiveness and align more closely with other functional areas efforts
- To capture and then communicate the “how and why” of the strategy
- To clarify the key assumptions and beliefs that underpin the plan
Instructions

1. Craft a concise and memorable statement that captures the essence of the strategy and summarizes the key objectives of the department’s three- to five-year strategic plan.

2. Identify five to seven metrics that define your function’s current and target end state.

3. List internal and external factors that are impacting the function, the five to seven key initiatives required to achieve the end state, and the key assumptions underpinning the strategic plan.

STATEMENT OF XXXXXXX
Deliver solutions that enable the organization’s talent to accelerate business strategy.

STATE OF HR IN 2020
Key Metrics Describing the Initial State
- Revenue per Employee: $147,000
- Percentage of Diverse Leaders: 15%
- Successor Coverage for Critical Positions: 60%
- Retention Rate for Critical Talent: 60%
- Employee Engagement Level: 86%

Top Urgency Drivers
1. Talent mismanagement becoming a key barrier for strategy execution
2. Changes in the work environment have made work more collaborative and complex

STATE OF HR IN 2020
Key Metrics Describing the End State
- Revenue per Employee: $160,000
- Percentage of Diverse Leaders: 18%
- Successor Coverage for Critical Positions: 95%
- Retention Rate for Critical Talent: 85%
- Employee Engagement Level: 93%

Key HR Initiatives
1. Create an HR project team to provide more concentrated and timely support to line leaders and managers to execute our corporate transformation.
2. Redesign talent calibration process supported by HRIS upgrades.
3. Create a career partnership program to motivate and manage employees across their carrier.
4. Institute a leadership development program across all key business units and functional areas.

Top Underlying Beliefs and Assumptions
1. The organization will continue to go through an increasing number of major, enterprise-wide changes that require more collaboration.
2. The number of leaders eligible to retire in the next three years will double.
One-Page Plan

What This Is
A more advanced approach to documenting, describing, and communicating business strategy for those of you with greater strategic experience or who want to continue to develop the sophistication of your thinking in this area.

Suggested Use
- As a template to audit/assess your existing strategy
- As a communication tool for describing business strategy to other key stakeholders
- As a guideline/checklist for areas to develop in your strategic planning process
# Sample: Suggested Guidelines for Completing

## 1. Market Description
- How large is the overall market?
- Market growth rate ($, %, etc.) for last and next 3 years.
- Who are the key targets?
- Global or domestic only?
- New emerging market or mature and longstanding?

## 2. Industry Structure
- Power: Does the power tilt toward buyers or suppliers?
- Substitutes: Are there readily available substitutes for the products your company sells?
- Barriers: Are the barriers to entry high for new competitors?
- Nature of competition: Win/Win? Win/Lose?

## 3. Key Drivers
- Economy’s impact
- Legislative impact
- Lobbying effect on existing contracts
- Market reaction
- Contract terms/timing
- Bank’s commitment to market

## 4. Competitive Position
- How many competitors?
- Size of each?
- Market share by competitor
- Market share multi-year trends by competitor

## 5. Strategic Leverage Potential
- Describe how leverageable each of the following are in your company (low, medium, high):
  - Technology
  - Product Design
  - Price
  - Promotion
  - Distribution

## 6. Opportunities
- Where we can win and why?
- Product opportunities?
- Product, price, promotion or distribution opportunities/leverage?
- Underserved areas you can take advantage of?

## 7. Objectives
- Sales, marketing, and operating objectives
- Financial objectives/growth
- Organizational changes

## 8. Key Focus Areas/Initiatives
- List high-level company strategic initiatives that support the business strategy (top 5)

## 9. Risks To Plan
- Barriers or constraints related to: technology, talent, operations, finances, regulatory/economic conditions
- Any macro issues that can derail completion of initiatives and plan

## 10. Financial Performance
- Key performance indicators for next year in $ and %:
  - Revenue
  - Gross margin
  - EBITDA (profit) in dollars and as percent of sales
  - Others?
What This Is
A tool to capture and communicate all relevant questions and answers pertaining to an organization’s business strategy. Think of it as a checklist of the pieces of business strategy that must be addressed to have a cohesive and understandable strategy.

Suggested Use
This tool can be used in its entirety or divided into individual components for:

- Creating a conversation with your peers to confirm agreement and alignment on the variables that make up your organization’s business strategy
- Supporting HR leaders to use with their teams to begin to shape “how we think about business strategy”
- Facilitating a conversation during the onboarding process with a new employee
- Summarizing your plan in a one-page format that can be used for alignment and buy-in conversations with employees
## STRATEGY COMPONENTS

<table>
<thead>
<tr>
<th>Mission (Mission statement)</th>
<th>Vision (Vision statement)</th>
<th>What problem do we solve? For whom do we solve them? (State the problem we solve and the market we serve.)</th>
<th>Our strategy statement: (Your strategy statement from the template included in this ebook)</th>
<th>Our key points of competitive distinction: (What makes us unique vs. our competition?)</th>
<th>Our value proposition: (Why we are the best choice for our target markets?)</th>
<th>How will we go to market? (Our promotion, marketing and sales plan)</th>
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<tbody>
<tr>
<td>Our 3-year financial plan is:</td>
<td>Our brand proposition is: (What does our brand stand for?)</td>
<td>Our value discipline is: product innovation, defined as (example): 1. New product as % of previous 2-year sales 2. User experience and usability 3. First to market 4. Thought leadership 5. Time to market (throughout)</td>
<td>Why we will win (example): Focused execution Innovative IP that creates competitive distance Strong distribution Engaged teams that see how they matter in our vision A scalable value proposition</td>
<td>To achieve our strategy, we will execute the following strategic initiatives: 1. 2. 3.</td>
<td>These could be new market disruptors: (Identify potential disruptive elements in the market, ex. competitors, technology, etc.)</td>
<td></td>
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<tr>
<td>F '20</td>
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<td>F '22</td>
<td>Rev</td>
<td>Profit</td>
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</table>

The key barriers and issues we need to resolve in order to succeed are:
1.  
2.  
3.  

The key organizational capabilities to build to accomplish our strategy are:
1.  
2.  
3.  
4.  
5.  

Based on our strategy, we will stop the following activities:
1.  
2.  
3.  

The culture we need to accelerate our strategy is (example):
- Collaborative
- Innovative
- Accountable
- Flexible
- Purposeful

What do we have to believe (critical assumptions)? (Identify the most critical assumptions that must hold true in order to deliver the plan, ex. economic, competitive, market changes, hiring, etc.)

Our core product offering portfolio will be:
(Identify the key products/services that will be taken to market, ex. existing, new, products you will sunset, etc.)
1.  
2.  
3.  
4.  

Key evidence points we will look for:
(What milestones or progress points must be seen to know you are on track?)

We expect the following competitor response:
(How you expect your competition to respond to your strategy once it gets into the market?)

The biggest risks to our strategy are:
(Identify key risks: capital, investments, talent, technology, etc.)
1.  
2.  
3.  

What problem do we solve? For whom do we solve them? (State the problem we solve and the market we serve.)
We founded HCI on three core beliefs:

- Aligning human capital strategy with business strategy is the greatest accelerator of organizational success.
- Organizations that align human capital strategy with business strategy outperform others.
- Human Resources and talent management professionals with the right strategic skill sets and mindsets are uniquely positioned to enable organizations to do this.

The key to this success lies in HR professionals’ ability to become strategic partners in their business by planning, recruiting, engaging, and developing their people. Since 2004, we have built our research-based learning resources on your behalf to achieve that mission. Our certifications, conferences, and on-demand content build strategic capabilities that drive personal and organizational transformation.