

# THE STRATEGIC HR DEPARTMENT

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**W**e believe that an organization gets the HR function it deserves and an HR function gets the status it deserves. If HR is perceived as a “necessary evil,” it has earned that label through its failure to play a strategic role in the organization. The HR function that is waiting to be assigned strategic responsibilities should find comfortable chairs and some good magazines. The best route to a mainstream role is through a series of steps which HR initiates.

## THE HUMAN RESOURCES FUNCTION AS A CORNERSTONE OF STRATEGY IMPLEMENTATION

We have found that HR can establish a strategic role if its staff members:

**Learn the business.** HR employees should devote time to understanding their organization's strategy, the actions being taken to implement the strategy, and the work processes which drive the business.

**Link HR activities to the organization strategy and business plan.** Every HR responsibility can and should be a critical component in strategy implementation.

**Become the organization's "performance department."** A strategic HR function is more than a provider of personnel and training programs. It is a cadre of human performance diagnosticians, performance improvement specialists, and performance system designers.

**Run the HR function like a business.** HR should develop a clear business strategy and implement it just as if it were an independent company.

### LEARN THE BUSINESS

A business has two dimensions – strategic and tactical. An HR department can be optimally effective only if it understands the strategy of its parent organization well enough to answer these questions:

What assumptions about the future environment (regulation, competition, technology, the marketplace) underpin the strategy?

What products and services will it offer (and not offer) in the future?

What markets will it serve?

What will its competitive advantage(s) be?

Where will its new business come from?

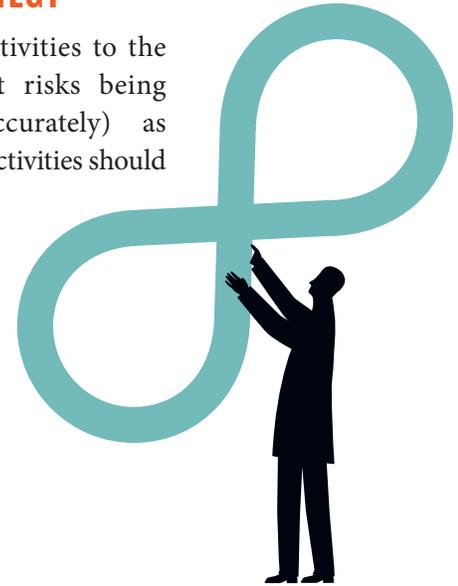
What is its plan for strategy implementation, especially in the area of human and system capability development?

At the tactical level, people in HR need to understand the way the business operates. HR staff are often well-versed in the culture/style/power/politics dimension of their organization. However, they are rarely as familiar with the workings of the processes which result in its products and services. Every HR employee should know the flow and dynamics of the business well enough to provide an outsider with a tour and briefing.

## LINK HR ACTIVITIES TO THE ORGANIZATION STRATEGY

If HR fails to link its activities to the organization strategy, it risks being perceived (perhaps accurately) as peripheral. Each of these activities should be linked to the strategy:

- Hiring/promotion
- Career development
- Succession planning
- Compensation
- Non-financial rewards
- Performance appraisal
- Technical training
- Management training



While the management is responsible for each of these "personnel" areas, HR provides advice, writes policy, and serves as the primary implementation arm. HR can advocate that each item in this list can be a key component in strategy development implementation. Fortunately, HR's sales pitch is not difficult. It's a rare senior manager who doesn't respond affirmatively to questions like:

Would you be interested in a more strategic return on your investment in the Human Resources function?

Would you like the HR staff to help you implement the human dimension of the organization strategy?

### BECOME THE PERFORMANCE DEPARTMENT

One of the most powerful actions HR can take to establish or enhance a strategic role is to transform itself into a "performance department." A performance department has a broader and deeper product/service line than the traditional program-oriented personnel function. Line managers have budgetary responsibility and a finance department to which they can turn for help. They have information management responsibility and an IT department to assist them. Line managers are also responsible for human performance, which is at least, as complex and important as budget and information flow. However, in most organizations, they do not have a staff support function which is capable of providing them with a full range of performance services.

The strategic HR function can fill this role by:

**Identifying and diagnosing performance problems/opportunities (by conducting “performance audits”)**

**Providing a line of performance improvement services which includes:**

Needs-based training  
(beyond the course catalog)

Feedback systems  
(beyond performance appraisal)

Reward systems  
(beyond compensation)

Job and function measurement systems  
(beyond position descriptions)

Workflow streamlining

Each of these services positions HR in the mainstream of the business. The performance-based HR function is readily able to link its contribution to business results.

## RUN THE HR FUNCTION LIKE A BUSINESS

The healthiest HR departments are those that understand that they have all the characteristics of a business: they provide products and services; they serve markets; they have actual and potential competition; and they are responsible for financial performance (as either a profit or cost center).

To run itself like a business, HR should develop a strategy which answers the same questions as the organization strategy. (Some of these questions are listed in “Learn the Business” earlier in the article). The HR strategy should be linked to the



overall organization direction in the same way a wholly-owned subsidiary’s strategy is linked to the goals of its parent company.

At the tactical level, the business-oriented HR function has performance accountability, fiscal controls, and effective business systems and processes. When we work with this type of HR department, we are dealing with business people who happen to be in HR, as opposed to HR people who find themselves in the world of business.

## CONCLUSION

The strategic HR department is one that understands the organization (its customer), links its activities to the strategy and operations of the organization, offers a full line of performance services, and has a strategy and a set of systems that enable it to function as a business.

HR functions which have established this strategic position are often asked to participate in strategy development and are always an integral part of the strategy implementation. Rather than being perceived as a necessary evil, HR serves as senior line management’s business partner. It is not one of the first candidates for budget cuts. In fact, it perceives the question “What return is the organization getting on its investment in HR?” to be an opportunity rather than a threat.

In addition to providing a greater contribution to present and future organization performance, the Human Resources function which plays this strategic role tends to be a more challenging and fulfilling place to work.