

The HOW Factor™

What makes strategic HR:
A research report from Orion Partners

ORION RESEARCH



ORION
Transforming HR

Introduction

The good news

'Strategic HR' is no longer just an aspiration. We're beginning to see a higher level of strategic input from HR teams right across the function, with HR teams playing a leading role in shaping business strategy and creating people plans that deliver on it.

And the not so good

While HR teams are beginning to realise their potential, there's still a way to go. Strategic impact is not always being achieved consistently. What's more, it's not always clear to HR teams struggling to have an impact what they need to do differently.

That was the inspiration behind this piece of research. Over the past year we've conducted research with a number of national, global and multi-business organisations across the public and private sectors. We wanted to find out how successful HR teams were developing and delivering on strategies that have real business impact, what they were doing differently to the rest, and then how we could use that information to create a model for success.

Here are the results...

'How' not 'what'

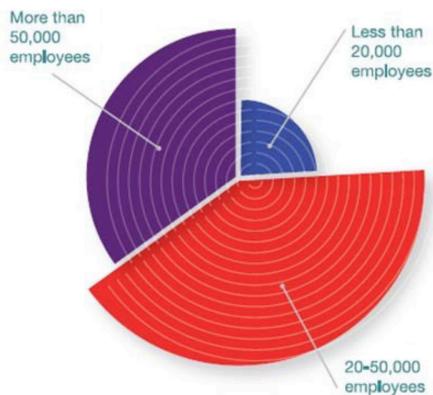
During the course of our research we interviewed group and business-unit HR directors, heads of HR strategy as well as directors of Shared Services and Centres of Expertise. The starting point was a set of four simple questions:

- How do you work with the business to formulate business strategy?
- How do you develop your people strategy?
- How do you turn this into people solutions?
- What are the implications for your HR function?

We found that the content of the strategies effective HR teams developed with their businesses was often very different. This was to be expected, as the organisations were often facing very different business challenges. Most interestingly what they had in common was a distinctive approach to their strategic role, and a common set of characteristics that guided the way they went about their work. In short, it wasn't **what** they were doing, but **how** they were doing it.

Overview of Participants

Organisation Size



Organisation Category

	% of Participants
Global Coverage	47
Multiple Business Units	53
Dedicated HR Strategy/Planning Team	35
Public Sector	18
Private Sector	82

In particular, our research revealed six broad areas where successful organisations tended to think and act differently to the rest:



1. Business strategy is people strategy

They saw no gap between people strategy and business strategy, and integrated people strategy into the heart of the business planning process.



2. A seat at the table

They understood that a seat at the top table doesn't mean a place in the conversation, and that the role of the HR leader as a business person first is crucial for the credibility of HR's strategic role.



3. Relevance and focus

They regularly monitored and tested people strategy with the rest of the business to keep it relevant and focused on current business needs.



4. From PowerPoint to reality

They recognised that execution was what really mattered. It was delivery which then improved credibility and earned HR the right to shape the wider business agenda.



5. Shared stories

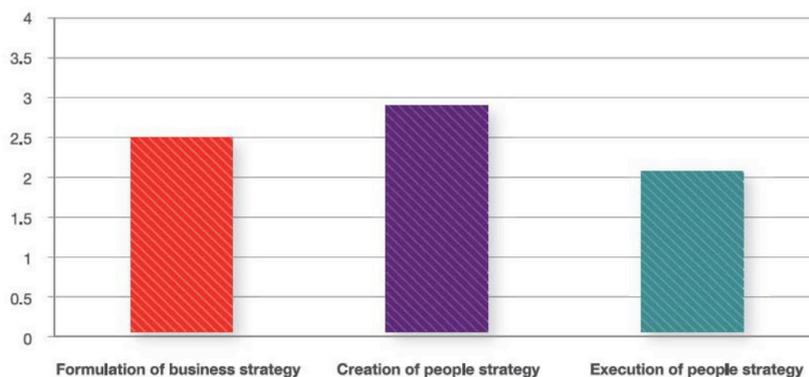
They placed huge focus on business engagement and joint ownership of both the creation and delivery of the people strategy.



6. Concentrating on capability

They understood that it's not just about having the right operating model and organisation structure – it's about capability.

How effective are you? Participant rankings



NB: Based on averaging scores across all participants. If small numbers of 'top scores' removed, scores amended to 2.2, 2.7 and 1.9 respectively.

1. Business strategy is people strategy

“Business and people strategy are inextricably linked – a third of our cost is people, and driving flexibility and efficiency is our business strategy.”

By and large, organisations recognised that the distinction between business strategy and people strategy was an artificial one. They appreciated that people strategy was an integral part of business strategy as a whole.

However our research showed that, despite this appreciation, the development of the people strategy was often still seen as a separate activity – put together by HR once the business strategy had been decided. The problem here is that, when developed in isolation, the people strategy risks becoming a document based on a point in time rather than a dynamic agenda that influences business direction.

In contrast, the organisations that had overcome this issue had woven people strategy into the fibre of their business strategy. That way there weren't two separate strategies, just 'people components' of the business strategy. Ownership of these sat in the business, with HR helping to facilitate the development of the right solutions.

Once this is achieved then collaboration with line managers at each step of the people strategy process, from formulation to execution, becomes much easier. There's joint ownership and there is less need to have to 'sell in' your strategy to the business in order to get it executed.

“Some of it's about education and getting attention – shining a light on the key business issues that require a people solution.”

The more HR can link people strategy into the fundamentals of the business plan, the more strategic the HR function will become.

2. A seat at the table

“She inputs her contribution to the business strategy based on her views and opinions on the commercial proposition, which are well regarded.”

The role of the HR Leader is pivotal – and their influence will shape the role HR has in developing and delivering strategy.

In many organisations HR now has a place at the top table. We heard this time and time again during our research. But a place at the table doesn't mean a place in the conversation. Digging deeper we found a split between those who were able to use their executive position to engage in strategic decision-making and those who were in the meeting but still not actively shaping the strategy.

Many of the top HR leaders we interviewed told us they believe HR's strategic influence lies more in the everyday actions and behaviour of its leaders than in 'official' participation in the planning processes.

It follows that the perception of an HR leader by his or her peers is absolutely crucial. What's more, almost all of the well regarded HR leaders we spoke to agreed that this personal credibility relied on two things: being seen first and foremost as a business person (not the 'people' person) and making sure that business performance is the clear rationale for every single HR intervention.

3. Relevance and focus

“The strategy is a statement of the collective agenda rather than a laundry list of stuff to get done.”

Best practice organisations picked out and prioritised the activities that would have the biggest long-term impacts.

Our research revealed that the process of creating people strategy is, on the whole, pretty well managed. For example, 35% of the organisations we spoke to had gone as far as having dedicated resources facilitating the process and the subsequent planning and monitoring. Most organisations followed a common approach: taking key business priorities and articulating the people levers needed to meet them. Use of data is also improving for analysis of both internal trends and external influences. This being said, there was a tendency when looking externally for organisations to turn to academic sources (i.e. business schools, research forums) for inspiration rather than looking at what the best in the market might have to teach them.

A focus on results

We found that the most effective HR teams take the people strategy process one step further – rigorously monitoring the success of what’s happened and testing and evolving the strategy in conjunction with the business.

This rigorous impact monitoring and testing makes a big difference. It helps you know whether what you’ve tried has been successful – so you don’t repeat mistakes. It’s an important way of checking if your people strategy is still relevant and focused on business priorities. It also has a positive impact on your ability to execute: when your team’s actions are monitored and linked back to your strategy then they’re less likely to fall into the trap of dealing with the prevailing issues to the exclusion of everything else.

“Lots of work is done with the business to give it clarity. The business strategy defines the why, this is the what.”

Testing and evolving the people strategy with line managers is the only way to keep it relevant and focused.

4. From PowerPoint to reality

From our research, it's clear that this is where organisations have the most progress to make. Developing a credible people plan is one thing but executing it is the real challenge. What's more, successful execution drives the confidence and credibility needed to be able to shape the initial business strategy.

The HOW Factor™

Those organisations executing well focused on four particular things:

1. Making it real for the line

We saw the measures of success of the people plan translated directly into specific people objectives included on scorecards for line managers. This was bought into because line managers were involved at the creation stage, through clear visual plans shared with senior managers, for example, making the handover easier and successful execution far more likely.

2. Monitoring and measuring

Successful HR teams quantified the outcomes of the people strategy in terms of business improvements, and then made sure these improvements got reported to the board. Some had developed HR dashboards. All effective organisations had some form of standardised document with clear, transparent information on progress.

3. One HR

Strategy is often seen as the preserve of business partners and specialists in centres of expertise. But when organisations involved all elements of HR, including operations, in the strategy creation phase then the implementation phase was both easier and more successful.

4. Managing transition

It's essential to develop a robust approach when managing the shift from a strategic project into something becoming business as usual. Without a carefully managed approach the danger is that new practices or processes fizzle out as soon as they're no longer managed as a standalone project.

"We classify actions on the strategic plan according to whether they are BAU, cost improvements or 'big movers' major programmes."

Successful organisations quantified the success of their people strategy in terms of improvements to the business.

5. Shared stories

Effective HR teams placed a big emphasis on joint ownership of the people strategy. They achieved this by clearly signposting to the business how the people plan you're asking them to deliver fits with their own business agenda.

Tell a story

The most effective HR teams we spoke to also talked a lot about stories. In particular they made sure there was a strong and engaging story around what HR was trying to do and how it was helping the business. They also made sure these stories used simple, non-HR language that the rest of the business could easily understand and relate to.

Having strong people strategy measurements to draw on helps, too. They bring what HR is doing into a context the rest of the business understands, and make it much easier to prove the points you're trying to get across.

6. Concentrating on capability

Over the past few years, many organisations have invested heavily in getting the right organisation in place.

The next challenge is making sure there are the right people with the right skills in place to make the new organisation work. There's still work to do here. In fact, many organisations we spoke to identified two particular shortfalls: deep specialist expertise that can be applied to create competitive advantage, along with change and project management skills in HR Business Partners.

To deal with this, we found many of these organisations had identified a common set of attributes seen as necessary in a strategic HR team (although not necessarily in each individual). These include:

- **Sound business knowledge** particularly at the top end of HR
- **Flexibility in thinking** and being comfortable being a little bit out of control
- **Strong influencing skills** an understanding of how, where and with whom to get traction
- **Humility** being able to accept you don't always have an answer to hand
- **Strong communication skills** in particular the ability to communicate complex concepts in an understandable way
- **Change leadership, project and portfolio management skills** along with deep technical expertise.

Defining the difference that makes the difference

Having looked at what's working in a number of organisations, we were left wondering if those broad themes could be distilled into a practical model that could be applied more widely.

With that in mind, and in response to what we'd heard and seen, we've identified a core set of characteristics that are common to those HR functions that have genuine strategic impact and that drive the behaviours we've talked about in this report.

We've shared these findings with a wide range of research participants. The good news is that these five characteristics really resonated with people as a way of categorising what matters – both at capability level, in terms of individual skills and behaviours and at an organisational level in terms of infrastructure and process.

When we are committed we have a natural energy and motivation which come from doing what we enjoy and what we want to do. What we are doing is aligned to our values and we are authentic in what we are doing.



Insight

This includes commercial insight into what the business needs, using the data you have on your people to identify key trends that impact the business, and a deep knowledge and understanding of the external market and what other leading organisations are doing. Closeness to the business – both in terms of really understanding what they're trying to achieve, but also developing close relationships with the business right through the HR team to improve customer focus.



Collaboration

Even when HR provides the technical knowhow, the business needs to own the strategy. This will only happen with active collaboration throughout the strategy setting process. It's about HR working in collaboration with the business to develop the right people solutions, but also about HR working well as a team – eliminating any potential barriers between BPs, Shared Services and CoEs and making the most of the whole team's capabilities.



Discipline

Particularly when prioritising and measuring outcomes to ensure the strategy stays relevant and focussed. Effective planning and governance are key to this



Communication

Keeping things simple and always tailoring your messages to your audience, so what's in it for both the individual and the business is always clear.

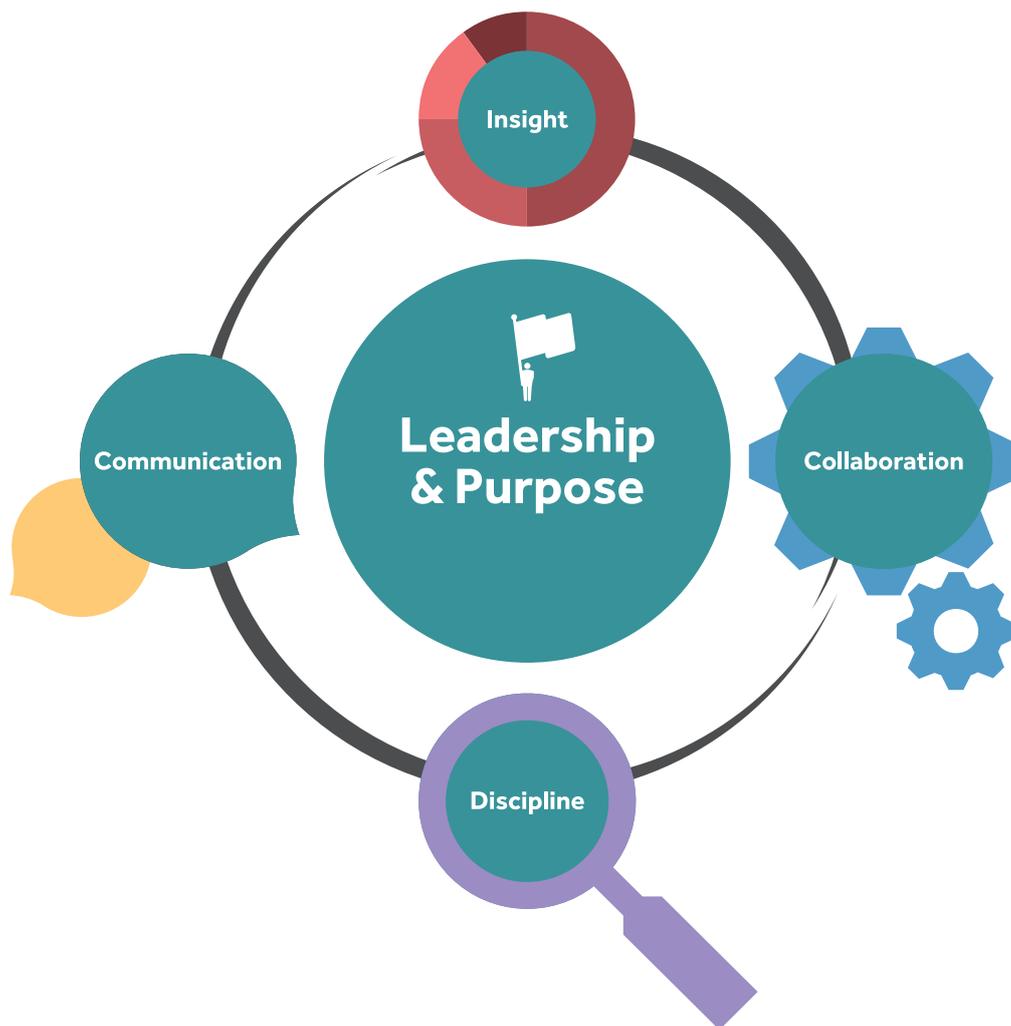


Leadership and Purpose

Successful organisations are distinguished by clarity of purpose. We found this to be equally true of the most effective HR functions. This sense of purpose guides their actions and drives their confidence and commitment in delivering on their purpose.

We have since worked with a number of the participants to test and refine **The HOW Factor™** diagnostic tool, a tool to help organisations and HR teams evaluate how to maximise their strategic impact.

We are encouraged to find that this approach is easily understood and as a result of being action focused can provide immediate tangible impact.



Discovering The HOW Factor™ for strategic HR

Over 20 companies participated in our research and we would like to thank them for them for the insight that they provided. The participants included:

ANZ
Bombardier Transportation
Coca Cola
Dairy Crest
Department of Culture, Media and Sport
Department of Work and Pensions
Hertz
The Home Office
Lloyds Banking Group
Marks and Spencer
McDonalds
Philip Morris International
Rolls Royce
Smiths News
Sodexo

If you would like to understand more about the research findings and **The HOW Factor™** diagnostic or to get more information about any of the topics you've read then please get in touch we would be happy to share our insights.

For more information The HOW Factor™ contact:
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