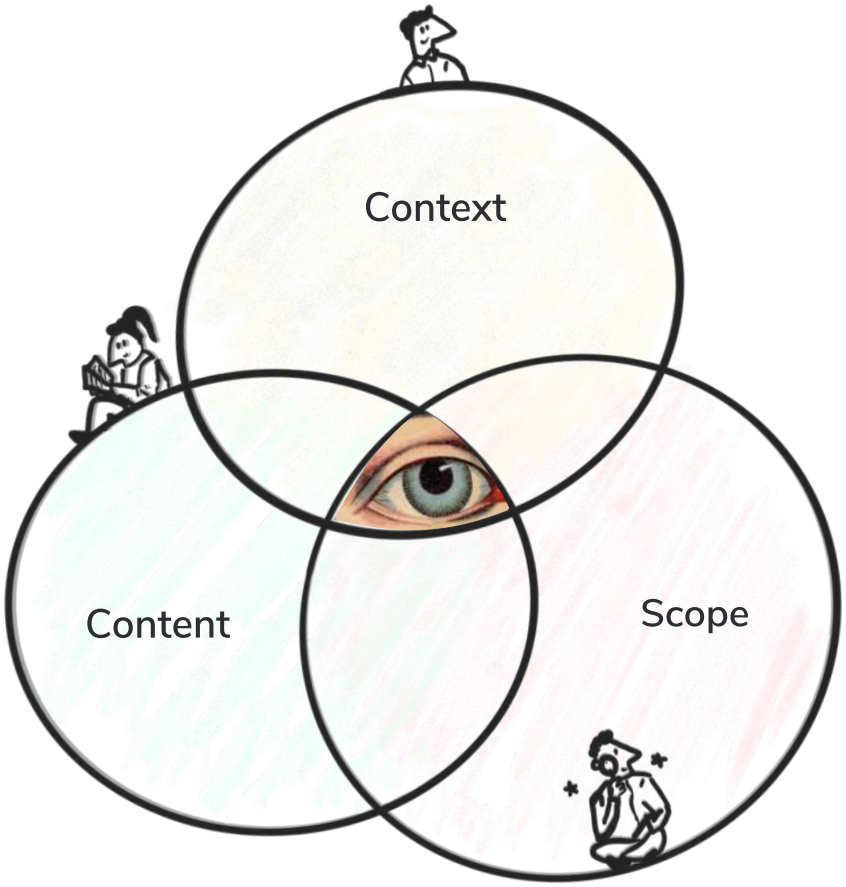
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Harnessing the Power of **Strategic HR**

Context Content Scope



"At the root of every business challenge or opportunity is a human issue."

Perhaps you should read it again before proceeding.

Sounds dramatic? like the opening statement of a dystopian novel?

Well, it does ring true in what we are going to explore. Read on!

Let's take an example

Scenario: Providing better Customer Experience

Requirements:

Investment in Training of employee

Diagnosis and process refinement for employee

Finding roadblocks and gaps from employee

Increase in value added conversation by employee



Human capital is the foundation of value creation and value creation itself is quite intangible in its nature. Herein lies the crux of our problem.

The traditional measurement systems we use are based on economic models. Since they deal with tangible aspects of value and output, it's pretty much impossible to gauge the impact of human capital, making it prone to misinterpretations.

It's quite ironic that HR professionals, despite being the main contributors of recruiting and building a powerful workforce, are unable to effectively convey the true extent of their contributions to the company's leadership.

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The many hats donned by HRs

Employees facing personal problems?
They are the counsellors offering support.

Disciplinary issues cropping up?
They are the cops on the scene.

No one to speak on behalf of the company?
They act as its spokespersons.

Need to engage employees?
They don't mind jumping into the ring to entertain.

Policy issues inbound?
They are there with a pair of scissors to cut through the red tape.

Need to cut down on costs?
They are ready with a machete to hack down unwanted expenses.

The list could go on and on but the areas of **HR's contributions** would remain would remain immeasurable. Unfortunately, these immense efforts are rarely recognized or even identified due to a massive disconnect between **what is measured and what is actually important.**

HRs need a Red Telephone

HRs need a Red Telephone, a direct line of contact with the company leadership. Although they do connect with the top level of management on almost daily basis, what they lack is a meaningful language through which they can communicate their contribution to all the major stakeholders of the company.

This Red Telephone is 'Strategic HR' which we will be exploring in detail in the following.

What exactly is a Red Telephone? ☎️

In 1963, during the Cold War, the Kremlin and Washington established a direct line of communication between the two world powers to ensure the leaders of both nations could have a direct line of contact. The idea was to reduce the time needed while communicating on critical matters and to avoid a possible war from breaking out. Over time, the term 'Red Telephone' came to be known as some sort of a hotline between the two powers. The line exists till today.

What is Strategic HR?

It's possible that many professionals throw around the term 'Strategic HR' casually in daily meetings. However, it is much more than a fancy term and jargon. Strategic HR has a defined context and scope through which we can understand what it actually means and contains. At their core, **strategic outcomes are subsets of productive behaviors that directly serve to implement firm strategies**. There could be no strategic outcomes when goals are developed without taking communication and implementation into consideration.

Many organizations have well-defined strategic goals but do not make any substantial efforts in communicating them to the employees. Either the communication is vague, making room for misinterpretations, or there is no roadmap for implementation.

Let's understand this with a real-life business problem.



Strategic Outcomes = Strategic Goals + Effective Communication + Implementation Strategy + Productive Behavior

Using Strategic HR to improve customer experience

- A service-based company's customer communication is in total disarray.
- Customer calls are getting dropped due to the unavailability of agents.
- Quality of communication has taken a massive hit.
- Customers no longer respect the word of the company. Brand value has gone down.

As the situation deteriorated, the leadership called for an urgent meeting to address the problem.

As a quick solution, it was decided that more customer service personnel would be hired and requisitions were raised accordingly.

Assumptions:

- Though the HR department was not involved in the early decision-making process, they were later involved as recruitment was scaled up.
- Line managers agreed to conduct deep-dive training and focus on improving the learning of the new and existing employees.
- Before designing the strategy framework, the HR team ensured that the new requisitions were aligned with the organization's financial goals and limitations.

The Meta of Strategic HR

In order to create a robust plan of action, the company needed to answer the following questions. The answers to these questions would become the meta for the next steps and translate into actions.

1. For this particular use case, which strategic goals are critical and which are nice-to-have?

2. What are the performance drivers for each strategic goal?

3. What would be the metrics to measure the progress of each goal?

4. What could be the barriers for each strategic goal and how could they be circumvented?



5. Are employee competencies and behaviors aligned toward the goals?

6. Are line managers confident and ready for the change?

7. Are employees aware of the business growth plan?

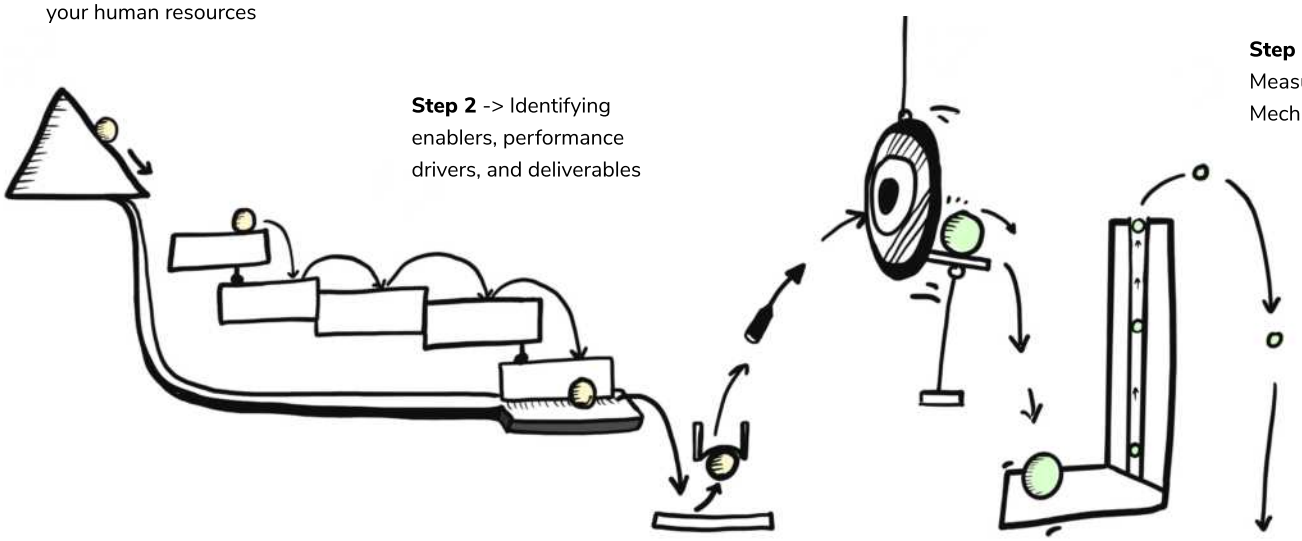
The 10-step plan of action

Step 1 -> Benchmarking the current standing of your human resources

Step 2 -> Identifying enablers, performance drivers, and deliverables

Step 3 -> Ensuring business outcomes are aligned with strategic goals

Step 4 -> Measurement Mechanism

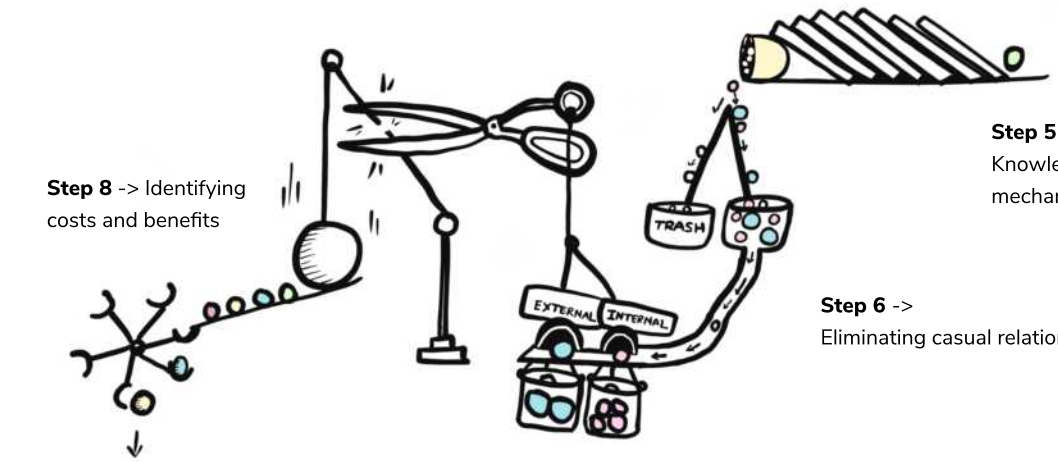


Step 5 -> Knowledge-based mechanism

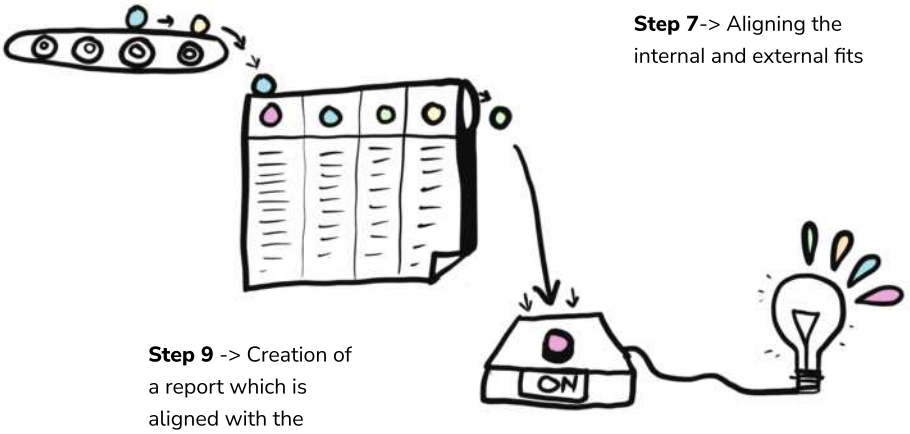
Step 6 -> Eliminating casual relations

Step 7-> Aligning the internal and external fits

Step 8 -> Identifying costs and benefits



Step 9 -> Creation of a report which is aligned with the company's financials



Step 10 -> Communicating the journey to another line manager

Step 1

Benchmarking the current standing of your human resources



If you are cruising on a ship and don't know your current bearings, it would be impossible to navigate and sail towards your destination. Similarly, if all the ships are racing towards the same destination, it would give you a huge competitive advantage if you could compare your speed with theirs, to calculate who would reach first and which route they will take.

Benchmarking is the process where a firm measures its products, services, processes, and success against its competitors and similar organizations, to identify performance gaps. It plays a critical role in helping a company understand the industry standards in all aspects of business, with which it could compare to know where it currently stands.

Benchmarking is generally carried out for all business departments and divisions, making it a very comprehensive exercise that requires considerable time and attention. Since we are focusing on human resources, let's understand the stages involved in HR benchmarking.

The 7 stages of HR Benchmarking

1. Identifying the areas of focus for benchmarking
2. Collecting and collating internal data
3. Determining competitors and companies for comparison
4. Collecting and collating external data from said companies
5. Analyzing differences between both data sets
6. Preparing an action plan for improvement
7. Defining processes to measure the plan's effectiveness and putting the plan into action

Whether we can achieve the desired outcome or not depends on the following points:

- Setting critical strategic goals
- Framing the implementation process map properly
- Connecting and linking all initiatives with each other
- Putting in place effective systems of measurement
- Scheduling regular diagnosis at specific intervals

Let's explore each of them in detail:

Defining and setting critical Strategic Goals

It is very important to clearly define and set Strategic Goals for HRM. Administrative tasks of HR are ongoing. Strategic Goals are those that align the HR operations with the larger organizational goals. Business leaders should avoid using vague terms while defining these goals and be as specific as possible.

Framing a map for the implementation process

The implementation of new processes to complement the defined Strategic Goals requires careful framing of the implementation process. HR leaders would have to identify and map each step of all processes and prepare SOPs on how to go about them. For example, if product training is going to be a part of each new employee's onboarding process, the HR team would have to map how the actual training would begin, what would be the mode and so on.

Connecting and integrating all initiatives with each other

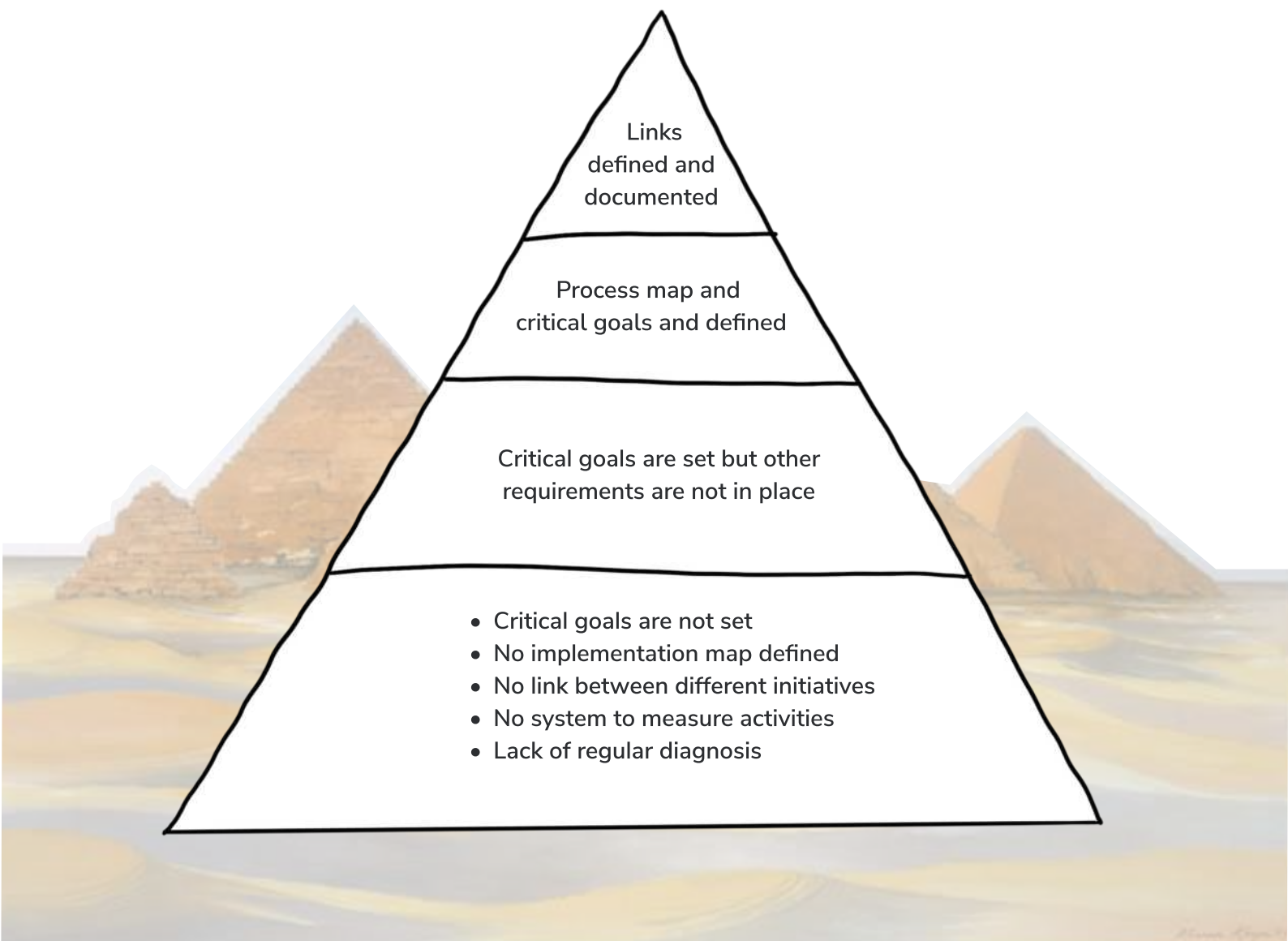
Achieving synergy between all strategic initiatives is vital to avoid a siloed approach. The success of Strategic HR depends on how well the entire process works in cohesion, without any dents in the flow. For instance, if the recruitment process is smooth and the onboarding is full of complications, it would essentially wipe out the goodwill earned during the recruitment stage.

Putting in place a reliable mechanism to measure results and outcomes

As mentioned earlier, measuring results would do no good if the metrics and output measured are not those that truly matter. Therefore, identifying the mission-critical outputs and metrics is as important as putting in place a robust mechanism and tools of measurement.

Scheduling regular checks and diagnosis to ensure implementation is on point

Even the machines that are engineered by experts require a periodic maintenance check to prevent future breakdowns. Similarly, all plans require a regular diagnosis to know how well they are being implemented and if there are any recurring challenges.



How likely an organization can sustain success depends on how well it maps its processes with its strategic goals.

From this perspective, we can classify organizations into four types.

- **Bottom of the Pyramid** – at the bottom of this pyramid are the organizations that have no goals set and lack any implementation process map. They do not have mechanisms to measure outcomes or perform regular checks.

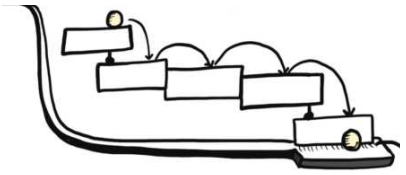
- **Level 3 of the Pyramid** – at the third level of the pyramid are the companies that have defined critical goals but have nothing else that could help them reach their goals.

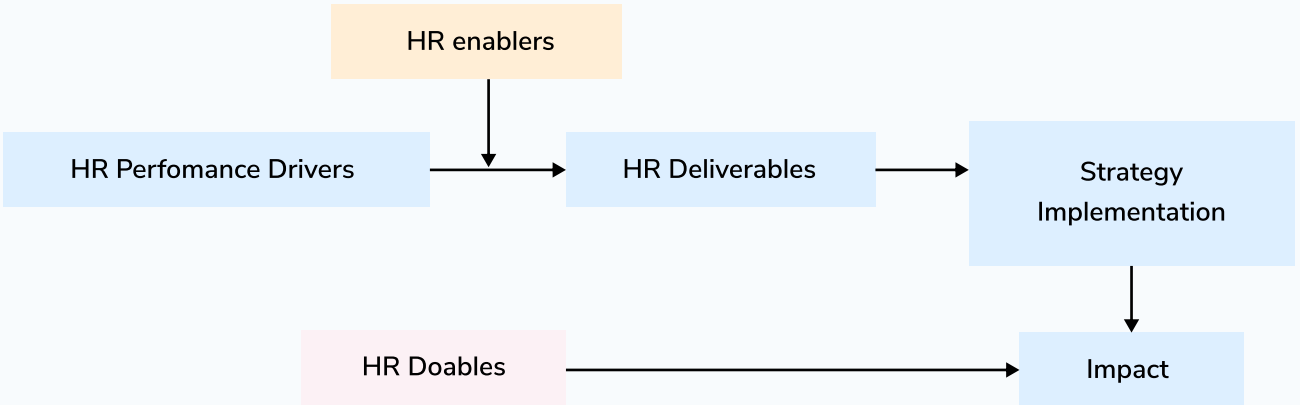
- **Level 2 of the Pyramid** – the second level of the pyramid consists of establishments that do have critical goals set. They also have defined process maps to help them reach their goals. However, they have not linked their daily activities with the goals and are unable to measure the outcomes.

- **Top of the Pyramid** – at the highest level of the pyramid are businesses that have ticked all the right boxes when it comes to aligning strategy with activities and outcomes.

Step 2

Identifying enablers, performance drivers, and deliverables



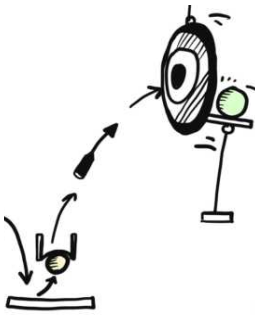


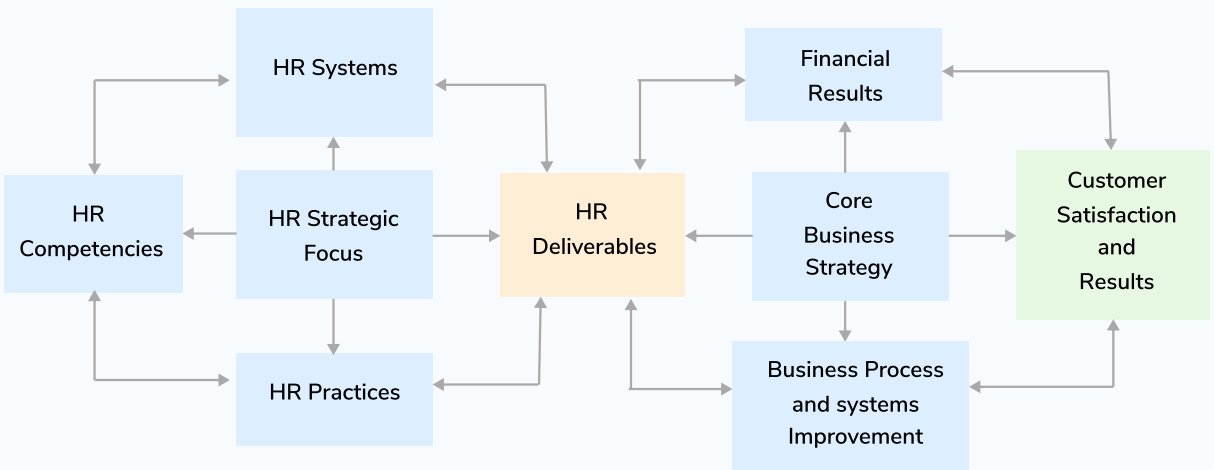
The second step consists of identifying the key people across the process, who would enable, drive, and ensure the delivery of the desired outcomes.

- **HR Enablers** – the company leadership and CXOs who empower the HR executives and define the desired outcomes.
- **HR Performance Drivers** – the core HR leadership who would determine what strategy to follow in order to achieve the desired outcomes.
- **HR Deliverables** – quantified HR deliverables that would help in measuring how effective the HR team has been in achieving the objectives.
- **Strategy Implementation** – the process of implementing the HR strategy through a set of tasks and deliverables.
- **HR Doables** – extra-mile steps taken by the HR to further strengthen the process and attain the objectives.
- **Impact** – the final outcome of all the strategy and implementations, such as improved customer service, quicker resolution of tickets raised, and so on.

Step 3

Ensuring business outcomes are aligned with strategic goals





The HR department is often so overburdened with administrative tasks that they lose sight of their strategic role. While administrative tasks are important and cannot be overlooked, it must be understood that they are a part of a larger picture, dominated by strategic initiatives.

The above diagram helps us understand the interconnected web of HR systems, practices and core activities and how strongly it is integrated with the business outcomes, such as financial results and customer satisfaction.

Therefore, right from the beginning of the first steps of the action plan, it is important that the business outcomes of implementing Strategic HR are aligned with the strategic goals of the company.

Let's understand this more clearly through the above scenario of customer experience challenges.

Financial profits and growth are at the top of the desired business outcomes of any business organization. Therefore, it could be considered as one of the primary strategic goals of the organization.

Now, the question is: how do we map customer experience to ensure the desired business outcome which is financial profits and growth.

CX + EX = 10X Profits and Growth

CX – Customer Experience | EX – Employee Experience



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THE FINANCIAL PERSPECTIVE

Let's dive into the roadmap through which we can achieve the desired financial outcomes through exceptional customer experience.

Exceptional Customer Experience could be derived through

1. High quality conversations
2. Reduced cycle time and low effort customer service
3. Effective handling of the disciplinary and behavioral aspects

Let's now explore the role of HR in each of the above three aspects.

High quality conversations

High quality conversations could be achieved by personalizing interactions, listening to customers, completely understanding their issues, and most importantly, offering support through channels that are preferred by the customers.

What is needed

- Training programs (R&D)
- Skills benchmarking

Critical roles

- Initiated by: the HR department
- Driven by: line managers
- Influenced by: leaders

Reduced cycle time and low effort customer service

The less time it takes for customers to get their issues resolved and attain a service, the more likely they are to be satisfied. Along with the time taken to resolve a service request, there is another important metric that Gartner has termed as critical in boosting customer loyalty. It is called 'low effort customer experience'.

According to Gartner, when customers do not have to put in a lot of effort to avail service, they are more likely to repurchase from the same organization. Low effort customer experience also results in lower operational costs and increases employee retention.

What is needed

- Robust business processes
- Value-driven implementation

Critical roles

- Driven by: line managers
- Influenced by: the CS team
- Measured by: the HR team

Effective handling of the disciplinary and behavioral aspects

The disciplinary and behavioral aspect is often ignored in customer experience management. It is vital to put in place processes that are to be strictly followed in order to obtain regular feedback and ensure all tasks, however mundane they might appear, are always taken care of.

What is needed

- Regular feedback
- Time management

Critical roles

- Driven by: the HR team
- Influenced by: high-performing employees (HIPOs)
- Measured by: leaders

THE OPERATIONAL PERSPECTIVE

Just as it's important to understand and implement processes that would drive financial outcomes, it is also important that we do not lose sight of the operational perspective.

- **Costs and benefits:** The costs of training may appear high but it would yield results in the long term. The organization would also be saving costs due to low-effort customer experience as it will reduce the touchpoints in the customer journey.

- **Bench strength:** Strong training will improve and increase the bench strength of the customer success team. Bench strength is the overall skill possessed by the reserved members of the team, who could step up in critical roles if the need arises.

- **Rewards and recognition:** Rewarding great performance and recognizing the efforts put in by employees is one of the major cornerstones to drive and achieve exceptional customer experience.

- **Performance mapping:** A robust module for performance mapping is needed to set individual and team goals in order to identify top performers.

- **Compensations and perks:** Ensuring employee retention is of great importance, especially when you have invested a lot in training them. Suitable compensation plans along with perks could go a long way in ensuring no employees seek to leave your organization.

THE STRATEGIC PERSPECTIVE

From the perspective of strategy, the following are the core areas where the organization would have to pay more attention to, to provide great customer experience that would result in desirable financial outcomes:

- **Talent:** constantly recruiting the best of the best talent pool is important to upscale the level of your workforce.

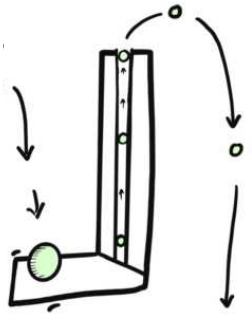
- **Capabilities:** mapping skills and competencies would help in aligning the right people to the right responsibilities and will encourage them to take ownership of the tasks they are responsible for.

- **Culture:** fostering a culture of individual growth that aligns with the company's vision will also go a long way in attracting great talent and retaining the existing pool.

- **Leadership:** a defined structure of leadership competencies would help the aspiring and current leaders to move in the right direction. Persistence in goals and the ability to adapt to new realities is of critical importance for the company leadership.

Step 4

Measurement Mechanism



Generally, there are three tiers in the CX measurement framework

- **Strategic Measurement**

  It gauges how your organization is perceived generally. What do customers usually say when they think about your company.

- **Episodic Measurement**

  This type of measurement is used to assess the most important moments in the customer's journey. It could be specific moments when their requests are catered to and issues resolved.

- **Transactional Measurement**

  This measurement uses specific data to analyze specific customer interactions. For example, line managers may want to measure the average number of hours in which a service request is assigned and completed by processing data of a month or a quarter.

  All tiers of measurement are deeply interconnected with HR management as each of them requires the line managers to define measurement mechanisms at all levels.



Step 5

Knowledge-based mechanism



With the HR world witnessing mass resignations and a wave of job changes, it has become pertinent that there should be a knowledge-sharing mechanism to ensure that valuable information is shared with the right people and is never lost due to an employee resigning or moving from the company.

Therefore, the HR leadership has to constantly drive programs through which the knowledge engine of the organization is not only updated but also made easily accessible to all employees.

Step 6

Eliminating casual relations

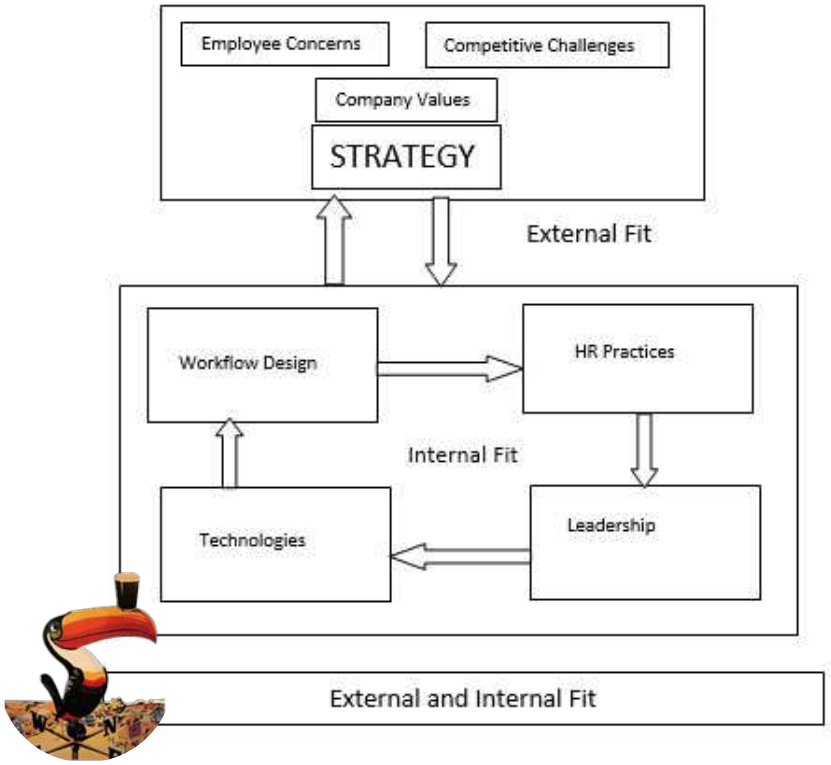


The leadership would also have to eliminate casual relations by ensuring L&D investments have a direct measurable impact. If significant investments have been made in learning and development, it's necessary that they yield the desired results. For example, if the customer is engaging directly with the product due to its interactive technology, it would mean that the L&D has positive results.

Step 7

Aligning the internal and external fits





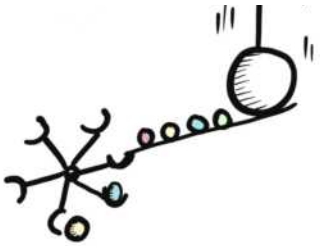
A company generally defines its strategy based on the competitive challenges it faces, the values it espouses, and how it seeks to solve those challenges for its customers. Internally, employee concerns also play a huge role in determining the strategy. All of these components form the external fit.

On the other hand, the internal fit consists of HR practices, leadership, technologies, and workflow design.

In order to achieve the desired profits and outcome, it's important that both internal and external fits cohesively align with each other.

Step 8

Identifying costs and benefits



When the business has set its eyes on financial outcomes, identifying cost centers to reduce expenses becomes essential. A cost-benefit analysis would help bridge the gap between what are the must-haves and what are nice-to-haves. It will also help the HR team in narrating the efforts of HR in a language that is understood by the major stakeholders of the company.

Some very important concepts in these are:

NPV – Net Present Value

Net Present Value or NPV is a method using which we could determine the current value of the future cash flows of a project, including the initial investment. Generally, it is used to identify projects that are expected to churn out more profits.

For example:
You implemented a learning and training program with an overall estimate of $70000
After 2 years of implementing the program, you expect an increase in wages of employees by $130,000
After 2 years, the expected increase of annual cash flow is $245,000
Therefore, the NPV of the training program could be calculated as:
$245,000 – $130,000 - $70000 = $45000
NPV = $45000

Sunk Costs

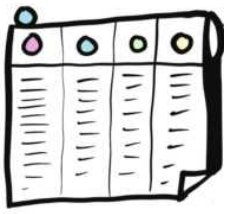
Costs that have already been incurred and cannot be recovered are termed ‘sunk costs’.

For example:
If an HR team plans to implement a new roadmap to make the onboarding experience of employees more memorable. Therefore, the team earmarked $500 and initiated the necessary processes, such as purchasing gifts for the onboarding along with other initiatives.

However, the new employees did not appear to like it much, and the expected result of the process could not be achieved. The $500 per employee multiplied by the total number of new employees would be the sunk cost.

Step 9

Creation of a report which is aligned with company's financials



Since financial outcomes are of primary importance and one of the major determinants of success, it is crucial that the defining metrics are aligned towards the same.

In simple words, the metrics that would be used to measure the success of implementing Strategic HR in this particular scenario would have to be aligned with financial outcomes, such as profits, customer retention, total upsells, and more.

Another very important point to be remembered is that all new metrics and new reporting systems are to be clearly communicated and followed by all managers. If there is no cohesion in reporting, there would be no way to measure performance and gauge the overall results.

Step 10

Communicating the journey to another line manager

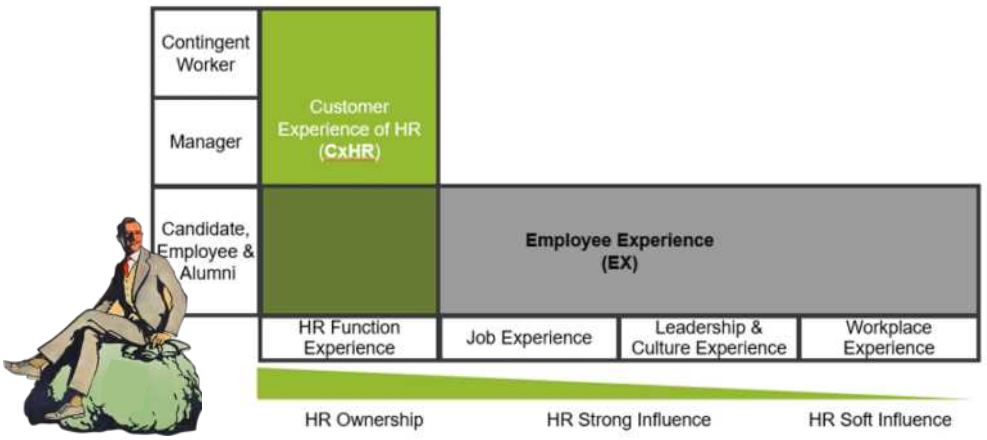


If the customer success department is able to capitalize on this 10-point action plan and is successful in achieving the desired results, its leaders should communicate their findings and results with other line managers in different departments.

There are different types of reporting tools and processes that line managers could use as a standard to share their input and insights.

For example, Amazon's famous 'Six Pager' document is one of the reporting tools best known for how effectively it educates readers about a totally new topic by talking about the essentials.

The criticality of the role of HR in driving this plan



In the above figure, we can clearly observe that the role of HR has different levels of ownership and influences in various aspects. It is important that the HR team does not spread itself too thin, trying to solve all problems at once. There should be a balance in how the team identifies and engages with problems.

HR personnel can no longer limit themselves to just daily administrative tasks and the general HR operations such as recruitment, payroll, and employee experience. In order to make their mark, they should have a strong understanding of the organization's core business, its challenges, and how its workforce could be used to solve them.

Effective change = Quality X Acceptance

Big changes demand bold moves. Effective change cannot be achieved unless there are the dual engines of:

- Tools and techniques to improve quality
- Acceptance and strong intent to utilize the tools in order to achieve the targets

Only by putting the workforce at its center can any organization achieve excellence and champion change. It's a road paved with challenges and problems, but the reward is unending and worth it.

"People are your most important asset."
You cannot make this vision a reality unless you have a Strategic HR function!

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