

5 Questions HR Should Collaborate with Senior Execs to Answer¹

By Richard Lynch

It is no wonder that companies have difficulty getting alignment around their strategy. They don't define it clear enough to be executed. HR can have a big impact on a company's results when it dares to ask five questions that oddly enough are seldom raised in executive boardrooms. When senior leaders answer these questions, HR can help to clarify strategy for everyone in the organization so that they pull in the same direction.

Question #1: What relationships are desired among the businesses in the company?

Leaders are often unclear about their corporate strategy – if they even know what it means. **Corporate strategy** defines the relationships among businesses in the corporation portfolio and the process by which investments will be determined among them.

Whether a company is **Integrated** (like MacDonald's), **Allied** (like Xerox) or a **Holding** company (like Tyco) matters in strategy execution.

When senior leaders perceive a different corporate strategy, inefficiencies abound and leverage opportunities are not pursued. For example, an Allied company acted like a Holding company and bought 11 competency models for its different businesses. They should have bought one. An Integrated company acting as a Holding company, presented different faces to the same customer (and multiple invoices) and incurred redundant costs across sites and regions. An Allied company (different business strategies), acting as an Integrated Company (one business strategy), forced the strategy of one business onto another business. Competitors ate their lunch and the business is now in turnaround.

HR can take the lead in getting senior leaders to be more specific about the Corporate Strategy and use that choice to guide investments. Since Corporate Strategy defines the number of unique businesses, it also defines the number of unique processes and helps to define the enabling system requirements and role of shared services.

Question #2: What are the ramifications of how the business chooses to compete?

More often than not, leaders are not aligned around how the business will create advantage.

Business Strategy determines the way that a specific business will create distinctiveness, including the products it offers, the markets it serves, and the capabilities required to execute the strategy. With rival business focus and customer value propositions companies wind up with project overload, competing priorities, dissatisfied customers, and frustrated staff.

HR can work with the leadership team to define the company's **dominant** business focus (customer/market, product/service, distribution, production capacity, or technology) and the **dominant** customer value proposition (price, quality/performance, speed, service, or innovation). As one CEO stated in an HR facilitated meeting, "The answer to this business focus question means we either double R&D spending or we invest in new distribution channels – we don't have the money to do both!"

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A clear strategy provides criteria for making tradeoffs explicit and diffuses office politicking.

Question #3: What work gives us competitive advantage?

Leaders seldom make a distinction between what work is necessary to stay in business and what work creates advantage for customers. Left to quality improvement/6 sigma zealots, all processes should be improved. HR should help redirect this thinking along different lines: given the strategy, what work needs to be executed at world class levels and what work is OK to be at industry parity?

For example, one insurance company spent \$1 million to reengineer its Software Change Management Process (someone thought that this created competitive advantage). The process was later outsourced (Top Management obviously thought this was distracting work that could be done more efficiently outside).

In shedding light on different types of work, HR can team up with Finance to allocate the right level of time and resources towards building appropriate capabilities. Training and Development professionals can help target training and improvement activities to those processes that make a difference. In economic downturns, the answer to question #3 helps HR trim the fat without cutting the muscle.

Question #4: Do we have the Business Capabilities to execute our strategy?

A Business Capability is what the company needs to do to execute the strategy (e.g., support customer equally well whether over the phone, fax or web). These are operational in nature. In order to get that capability, companies can either buy it from the outside (acquisitions of processes and/or talent) or launch a business process project to create or improve that capability.

Companies that don't ask Question 4, often end up asking another question: How come the new strategy isn't working?

HR can take the lead in defining the capabilities required to implement the new strategy and conducting the training to do a thorough gap analysis. For example, the HR Director of a fuel cell company found that the organization excelled at metal container technology but fell short on plastic container application. This finding led to the recruitment of new talent to the company.

Question #5: How does my organization achieve its business capabilities and execute projects?

How the organization achieves business capabilities is becoming a competitive advantage. Broad Organization Capabilities are the company's DNA; they cut across the organization and give the company its culture and leadership its edge.

Left only to individual competency development, leadership teams run the risk of becoming dysfunctional with accountability problems, poor collaboration and slow speed of change.

HR can align competency development to build desired organization capabilities that are not tied to the success of any one individual.

Leadership development programs should be geared to engineer the company's DNA. These capabilities are the future source of sustained competitive advantage.

About the Author

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