The Look and Feel
of Strategic Human Resource Management:
Conversations with Senior HR Executives

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Executive Overview

My impression of the last 40 years is that we’ve done about a 180-degree turn. When I started 40 years ago, we thought our people were a commodity. They were replaceable, and there were plenty of folks out there. Now, it’s completely changed, and our people are seen as an asset, or have to be. The replacements are not out there, so we have to take our people and develop them and bring them along to help them move to the next level. We’re dealing with a whole diversity of people out there. Today the [job] security issue is not what it once was. In the past, when I started the business, the people would look for security and plan to be there the rest of their life. They had more of an attitude of “what can I bring to the company.” But in today’s world, we have employees with the attitude of “what can the company do for me?” Now we try to tailor our employee benefits programs to meet the needs of our employees in order to keep them, and at the same time, make our employees fit the business model that we are in. Unlike the past, today, when we are planning and developing business plans for the future, we have to take into consideration the skills of our workforce and what it wants from us.

~ John Greer, Vice President, Human Resources

In today’s economy, knowledge is the gold standard. Industrialized nations no longer look to manufacturing or basic service sectors to fuel growth in the 21st century, but seek industries that require highly specialized knowledge, creativity and innovation to fuel profits. This shift means that a firm’s human capital—the knowledge, skills and abilities of its workforce—become essential for firm success. Yet as the importance of human capital increases, the demand for such talent is expected to outstrip supply. In fact, the Bureau of Labor Statistics anticipates that the number of workers aged 55 and older will increase 49% through 2012, while the overall labor force will only grow 12% during the same period.¹

Changes in the business environment as well as changes in the demographic environment in which businesses operate have also spurred transformations in the practice of human resources. A firm’s ability to galvanize its human capital by creating an environment that maximizes knowledge development at the firm level creates a compelling advantage over its competitors. Such firm-specific knowledge contained by an organization’s human capital is extremely valuable because it is unique to the firm and therefore offers the organization a competitive advantage because it cannot be easily transferred to its competitors.²

While sophistication around people management strategies may be unfamiliar to some executives, it has been an important area of human resource research and practice over

the last 10 years. In 1995, a study comprehensively linked systems of high-performance work practices and company performance. The results, based on a national sample of nearly 1,000 firms, indicated people management work practices had an economic and statistically significant effect on both intermediate employee outcomes (turnover and productivity) and short- and long-term measures of corporate financial performance. In essence, when human resource practices are strategically aligned to support business objectives, profits go up. Though made more salient by the hiring boom of 2005, the positive link between human capital and human resource strategies and firm profits is causing executives to take notice.

**Strategic Human Resource Management**

Strategic human resource management is an area of human resources that links human resource practices and strategies to supporting and sometimes driving broad-based business objectives. Yet for many executives, understanding this linkage and being able to identify the practice of strategic human resource management in their own organizations is elusive and hard to grasp. Although there is no one definition for strategic human resource management, esteemed HR academics, consultants and practitioners at the recent Society for Human Resource Management (SHRM) 2005 Symposium on the Future of Strategic HR agreed that strategic HR entailed systemically utilizing people to achieve the organization’s business goals. Because of HR’s historically administrative role, there are often barriers to becoming strategic. According to a recent SHRM survey, 86% of the respondents felt that their department focused to a large or to some extent on administrative duties rather than on strategic objectives.

The purpose of this study is to provide rich examples of strategic human resource management that have been applied in various organizational settings. To accomplish this objective, six interviewees were selected from the SHRM Special Expertise Panels. Panel members serve as subject-matter experts for SHRM on topics of importance to the profession, and most possess a minimum of eight to 10 years of progressive HR expertise and strong intellectual capital in human resource management. Panel members were asked several questions relating to strategic HR that are detailed in the following section.

**Methodology**

This report presents information from a range of HR executive interviewees who had a direct interest in the area of strategic human resource management. Since the topic of this report focuses on examples of strategic human resource management, six interviewees selected for this survey were senior human resource executives currently practicing HR in organizations. An attempt was made to select panel members with backgrounds in small or mid-size organizations in order to understand what possible

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effect, if any, existed due to organizational size. Organizations with fewer than 500 employees were considered small organizations, and those with more than 500 but fewer than 2,000 employees were considered mid-sized. The identities of those interviewed for this qualitative research report, along with details about their professional and academic backgrounds, are found at the end of this section.

Interviewees were asked a number of questions relating to strategic human resource management during a 30- to 45-minute period. While the responses from interviewees varied somewhat according to their personal experience and specific knowledge of the topic, their responses addressed the following questions:

- What is strategic human resource management?
- What does strategic human resource management look like when it is effectively implemented?
- What concerns or hesitations did you have before you implemented a strategic HR initiative?
- Once you began a strategic HR initiative, what barriers did you encounter?
- Are there differences between large and small companies in relation to strategic human resource management?
- What lessons have you learned from strategic HR initiatives that didn’t work?
- Can you point to a time in your career when you learned how to think strategically about HR?
- What advice do you have for HR professionals who are seeking to become more strategic?

Individuals were initially contacted by e-mail inviting them to participate in this project. The e-mail indicated the topic of this project, the amount of time commitment required and the reasons why it was felt that their professional experience and background would be of value to the project. The response rate was 100% as all panel members who were contacted agreed to participate. Prior to interviewing, it was explained that all interviews would be audio taped and responses would be attributed to the corresponding interviewee, but that any reference to their past and current employers would be confidential. This was done to allow participants to freely discuss potentially sensitive business issues without compromising the confidentiality of the organizations for which they had worked or are currently working. The audio tape was then transcribed and minimally edited without changing the meaning or intent of the interviewee responses.

**Professional Backgrounds of Interviewees**

**Bonnie A. Daniels, GPHR, SPHR**

Bonnie Daniels has over 20 years of experience in HR with a diverse background that includes experience in both domestic and international human resource management. Her diverse generalist background includes experience in occupational health and safety, security, environmental and risk management, organizational development, labor relations and compliance. During her career, she has worked hard to design and execute innovative HR solutions to minimize risk and exposure while maximizing profitability and performance. Her diverse background offers experience in executive coaching, six sigma
for HR and safety, recruiting and training, strategic planning, contingency planning, mergers and acquisitions, labor relations, and change management. In her various roles, Bonnie has developed and managed occupational health clinics, written medical protocols and employee safety handbooks and worked with management and employee teams to minimize workplace hazards and implement safety, environmental and security training programs. She has extensive experience in leading acquisition due diligence and post-acquisition integration projects for HR, safety and risk management. Bonnie is a member of the SHRM Employee Safety, Health and Security Special Expertise Panel.

Isaac E. Dixon, SPHR

Isaac E. Dixon earned his Bachelor of Business Administration degree from Warner Pacific College in Portland, Oregon. He earned his Master of Arts degree in interdisciplinary studies with an emphasis in organizational communication from Marylhurst University. Isaac is currently pursuing his doctoral degree at Capella University in the field of organization and management with an emphasis on human resource management. He is a certified Senior Professional in Human Resources via the Human Resources Certification Institute. He serves as the vice chair on the board of directors of the Portland Urban League as well as an adjunct faculty member for Portland State University's Professional Development Center. In his day-to-day role as vice president of human resources, Isaac is responsible for all human resource activities at a credit union in Oregon, including recruitment and selection, employee and labor relations, compensation, benefits administration, organizational development, and training. He also serves as a member of his organization's leadership team. Isaac served in a wide variety of human resource management positions. He has worked in human resources in federal, state and local government as well as with private corporations. Among Isaac’s most noteworthy personal achievements are his recognition by the Northwest Human Resources Management Association as one of its Distinguished Members (for the second time) and the Portland HR Management Association Award for Professional Excellence. He has also been recognized by Who’s Who in American Colleges’ Graduate School Programs. Isaac is a member of the SHRM Organizational Development Special Expertise Panel.

John T. Greer, SPHR

For John Greer, labor relations is his first love, and he has been involved with it for over 25 years. He had a 30-year career in the pharmaceutical industry before “retiring” for a period of three years, during which he worked as a senior principal leading the labor relations area for a consulting group. He reviewed and advised organizations in relation to collective bargaining agreements in the retail industry and consulted with firms wishing to remain “union-free.” He then went to work for a leading drugstore chain in the Midwest, where he managed day-to-day operations of 5,000-plus employees in nine states in relation to HR and LR. Since 2004, he has been the director of HR and training at a corporation in California, where he is responsible for development, recruiting, training, labor relations, forecasting, project planning and agency compliance for 120 outlets from Hawaii to New York. John is a member of the SHRM Labor Relations Special Expertise Panel.
Cindy Koehn

Cindy Koehn has over nine years of experience in human resources. Cindy currently manages the human resource, training and development department for a company that provides extradition of prisoners across the United States via ground and air. Cindy is on the safety and risk management committee. In the last six months, Cindy has safely reduced workers’ compensation accidents, which resulted in over a $400,000 savings over the prior year. Cindy’s previous employment within the correctional industry has provided her with extensive experience in safety and security issues. Cindy is certified as a hostage negotiator by the FBI and has used this experience to provide manager training regarding safety and security. Cindy is an active volunteer in her local SHRM chapter and a member of the Human Resource Association of Tennessee. Cindy is a member of the SHRM Employee, Safety and Security Special Expertise Panel.

David Russo, SPHR

David Russo was the recipient of SHRM’s Award for Professional Excellence in 1999. Prior to his position at a leading total workforce acquisition provider, David was the founder and president of a human resource consulting practice, which advised companies and executives on employee engagement issues, employer of choice initiatives and human capital management best practices including HR technology choices. He is also a past vice president and secretary/treasurer for SHRM and has served on the board of the SHRM Foundation. He also serves as SHRM’s liaison to the HR-XML Consortium, a sponsored nonprofit group dedicated to establishing standards aimed at facilitating HR data interfaces, and as a member of SHRM’s ATP (Advance the Profession) Senior Communications Council. David is a member of the SHRM Technology Special Expertise Panel.

Mary Willoughby, SPHR

Mary Willoughby is a member of the executive team that manages two not-for-profit agencies in multiple locations in upstate New York. Her responsibilities include overseeing all human resource functions for the agencies, including billing systems and processes to provide strategic direction and ensure compliance, positive employee relations and cost control. She is an adjunct professor at St. John Fisher College, teaching a variety of business and HR-related courses to graduate students. She also sits on the college’s advisory board for the Graduate Human Resource Development Program. In addition to her work as a consultant for two years, Mary has HR experience in the manufacturing arena. Mary is a member of the SHRM Workforce Staffing and Deployment Special Expertise Panel.
What is strategic human resource management?

More than one-half of HR professionals indicated their HR department had a strategic plan in place. Among respondents that reported that both their HR department and their organization had strategic business plans in place, the vast majority indicated that HR’s strategic plan was aligned with the delivery of the organization’s strategic plan.\(^6\)

Responses from the Panel Experts:

**ISAAC DIXON:** My impression is that strategic HR leverages human resource activities, services and technology with the overall direction, goals and objectives of the businesses that we support. I would also say that strategic HR is characterized by being forward-thinking, proactive and, most of all, creative. That is in contrast with a nonstrategic approach, in which HR is reactive and generally adds little business value outside of performing day-to-day transactional activities.

Strategic HR is also about thinking about possibilities and connecting those possibilities in concrete ways to the business that you support. At its core, strategic HR is about understanding the business you’re in and running your HR shop in ways that inspire trust and confidence from the rest of your company. Keep in mind that a cornerstone of strategic HR is being able to acquire and develop the workforce—this has got to be a core competency for any strategic HR function. The end game is: do we have the best people, are we doing the right thing for them, and are we doing the right thing for our organization?

**CINDY KOEHN:** Many times, you hear the term strategic HR, but it is often overused and not applied correctly. For me, strategic HR is an actual process whereby you’re planning and executing your HR department goals in order to support the company’s objectives. You’re really looking at what the company is doing and where the company is going. It’s not just in the next six months; you’re planning five years down the road to see how HR initiatives can intertwine with the company’s goals. Many times, strategic HR often involves HR taking the lead in working with other departments to help them be successful in achieving company objectives.

**DAVID RUSSO:** Strategic HR is the ability to be doing constant environmental scans, developing trends and concepts, and applying all of that in a business sense to create a competitive advantage for your enterprise by the people that work there. That’s what I think about being strategic. Being not just ahead of the curve but on the curve, having a good sense, a good feel of what’s happening, what’s about to happen, and then how it all interacts with the organization’s finances, organizational design and the economics of supply and demand. It is putting all of these elements in crucible and coming up with concepts that apply to your business, not just business in general, to help drive and

\(^6\) Ibid.
create your organization’s competitive edge. For comparison purposes, nonstrategic HR is usually reactive, tactical and has short-term purposeful application of skills or knowledge. While nonstrategic HR activities are very, very useful to solving a tactical problem, they are not strategic because at the end of a nonstrategic intervention, you have a result, but the result has not propelled the organization forward. It doesn’t make the organization inherently any better than it was the day before. It has satisfied a need; it has avoided a problem; but it has done little to elevate the value proposition the organization has for its customers.

MARY WILLOUGHBY: HR is strategic when it is actually part of the executive planning team where decisions are being made regarding the direction of the company. It is being part of that team that is setting the goals for the entire company that sets measurable results and outcomes. At that point, it is taking the strategies that are related to HR and figuring out how—through the HR part of the organization—those strategies are going to be worked out. Knowing the skill sets and make-up of the talent pool that will be required to meet our business objectives is just one of the many strategies that have to be worked through various operational areas. But when I think of strategic HR, I think about it starting from the very beginning looking at the business issues first.
What does strategic human resource management look like when it is effectively implemented?

What makes an HR activity strategic depends on whether it solves a pressing business goal or objective. Since every organization has different goals, what is strategic HR in one organization may not be considered strategic in another.

Responses from the Panel Experts:

ISAAC DIXON: When I joined [this organization] four years ago, HR was a backbench player and really a nonparticipant in any of the strategy discussions. As my team evolved, one of the things that I did was put together a strategy that centered on helping our managers and leaders develop the kind of skills that would be necessary to lead an organization. Much of the training was designed to give managers tools so they could solve problems themselves—otherwise, HR is solving the same problem 58 times, and that prevents us from helping out at a more strategic level. We partnered with Portland State University to put together a 12-part series that dealt with everything from having conversations with employees that weren’t performing to writing effective performance reviews and designing an entirely new performance management system. This wasn’t easy because half of our employees are frontline employees and are represented by a collective bargaining unit. When I got here, the relationship between the company and the union was very adversarial. We didn’t talk to the union; they didn’t talk to us. It involved an ongoing, constructive, strategy-focused dialogue with the union and getting it to understand its proper role in helping us advance our business. The other thing that we did was work with employees to develop their skill sets. Because if you develop the managers’ skill sets and don’t develop the employees’ skill sets, then you’re only addressing half the equation. Developing our workforce has been a multi-year effort. We’re in year four of it, and our metrics indicate improvement. Metrics around communication, around interdepartmental teamwork, around employee job satisfaction have improved year after year.

We also implemented a game called profiting cash. It helps that frontline employee in particular, but all of our employees went through it. It facilitates employee understanding of how the organization makes money. The case was designed so that it was a small group of six to eight people, and they played key roles in a credit union. What they could see was how every decision affected the balance sheet. Some long-term employees who had worked in credit unions 15 or 20 years said they never understood how their roles were connected to the larger organization.

JOHN GREER: We are in the car painting business. We were having a problem because our materials usage was skyrocketing and we couldn’t figure out how it was happening. HR developed some focus groups within our company where we sat down with the folks and told them about our problem. We have not been able to resolve it at the highest level, so we went to people in the field. We had meetings at three or four sites around the company. We brought in people from different shops and disciplines. The answers
they came up with were, in retrospect, pretty obvious. But at the same time, their answers were something that management did not see or was not willing to admit until the employees and staff came back and said, here’s what the issues are and here’s what you need to do about it. Since that time, we’ve been able to encourage our senior management to push the problems down to the lowest level. I’d like to say they do it all the time, but they don’t.

Strategically, these initiatives have been able to move the company. Initially, it seemed that it would take more time because we were meeting and talking, but it actually moved much quicker because we had buy-in from the field, so it was easy to sell it to the rest of the folks in the field. We paint cars. We really didn’t identify a standard amount of paint that it should take to paint a car. In one shop, they were painting with 40 ounces, and the same car in another shop may have been 70 ounces. They came up with guidelines about how much paint should be used for each car. They came up with work standards. We also were out of control with office supplies. The field came in with a focus group and said, here is what we think each location needs to spend and what each one of our people needs in office supplies. While we’re not big, we’re not small either. An extra stapler in every site is a lot of money to us. The people developed a list of what they needed at their location in terms of pens and paper, etc. This is now called part of our work standard, and we’ve been able to have a real cost saving in the amount of inventory of supplies. The best part is that most of this came from the field. I can tell our executives over and over how important HR is, but it’s a whole lot better if I can say, look what we’ve saved you—and this came from people in the field.

**CINDY KOEHN:** After conducting an audit, I noticed that we had high turnover that was caused by low employee morale. A good deal of our morale problems were because employees thought that decisions that affected them were made inconsistently among our various locations. We received many complaints from employees that they would go to one unit and an issue would be handled one way, and then they would go to another unit and it would be handled another way. So one of the initiatives we put together was first-line supervisor training to help them understand how to consistently apply work policies and procedures so that employees could see that their issues are handled fairly. This initiative increased morale because employees felt that everyone would be treated the same, not because they were friends with certain people in the organization. We also created buy-in from the managers by soliciting their input as to areas they thought they were weak at and asked them what tools or policies could be created or, at the very least, better communicated. This action created more willingness on the managers’ part to work with human resources so they would be more willing to take time to make their employees and themselves available for the training. We received very positive responses from the training. In the following month, we saw reduced turnover, which we do credit to the supervisory training. In fact, it was so well received that we now have quarterly training for our managers. During each training session, we solicit input from managers as to what training they would like to see for the next quarter. Such involvement fosters their buy-in and support for the training.

**DAVID RUSSO:** I can think of several strategic HR initiatives that I made in organizations that were both large and small. For example, instituting a formal career development and planning process in an organization that had fewer than 400 people was an initiative...
that went very well. On the face of it, it sounds like that’s a nice thing to do, but why would a small organization invest in career planning development? The answer is because organizations of that size have retention issues that are far more overriding than very large organizations. Smaller organizations are much more vulnerable to piracy than larger companies because they cannot compete on infrastructure, they cannot compete on compensation issues, and they cannot compete on image and brand. If they can create the visceral feeling within the staff that this is not a job, but it is a career with this organization—the chances of retention are increased.

HR believed that by providing career paths for our employees, the chances of really building the strength of the organization and retaining its best and brightest were increased. It became an investment in the future of the company rather than sort of a nice idea that HR just throws out on the table. This is because if you're a 300-person company and you have 10 percent turnover, losing 30 out of 300 people can be devastating, especially if these are knowledge workers or people who have institutional knowledge.

MARY WILLOUGHBY: Well, I can give you an example that occurred in a not-for-profit organization. We had a mission and vision statement that was developed during the process. Since we are a group home institution, part of that vision statement said that we would provide peace of mind to families. Then each department had to have a strategy related to that. This meant that HR had to come up with a strategy that related to providing peace of mind to families. Therefore, as director of HR, I had to look at how HR would contribute to providing peace of mind in group homes and institutions. One of my goals related to this strategy was to decrease turnover for health aide positions so that families could rely on staff staying with the residents. Industry turnover for health aide positions is very high, in general, so a large percentage of my performance goals were related to decreasing turnover. It was my responsibility to drive this goal through the organization, which involved me working with my recruiters to a develop selection process that would help reduce turnover by 20%.

Developing a selection process also included developing better job descriptions, sourcing strategies and realistic previews for our candidates to help level-set their expectations of what being a health care aide involves. By the end of a couple of months, we could start measuring how many openings we had and how high the turnover was for these positions. The result was that within two years we had reduced our turnover from 56 percent to 23 percent for this specific job category. Ultimately, aligning HR strategy to the business strategy—giving peace of mind—meant pushing the objective further down to the functional areas within the organization and then tying goals to performance reviews.
What concerns or hesitations did you have before you implemented a strategic initiative?

Getting buy-in from the top is usually the biggest hesitation when implementing a strategic initiative. Because most executives lack specific HR knowledge, they may initially support an initiative, but then withdraw their support when they later find out what it takes in staff time and effort. Therefore, it is critical for HR to articulate the full level of involvement and resources that are needed before an initiative is approved.

Responses from the Panel Experts:

ISAAC DIXON: Quite frankly, the concern that HR people have all the time is time and money. How much time do I have; how long is this going to take to implement; how much is it going to cost? First of all, we found really great partners in Portland State University and some others that were able to help us deliver quality, usable tools and products as well as training for not a lot of money. And second of all, working with the leadership team and the CEO, I got the time commitment from the organization to put the managers and the employees through the necessary training. Without that, nothing works. You get sort of halfway into it, and then you get to a point where you have to make really tough decisions about what things you’re going to do, but without top management support it’s hard to get the tough decisions made.

To get buy-in for our training initiatives, I would catch people in the moment when unproductive management behaviors would arise. I would talk to the manager or to the employee about what I saw, why it was taking place, and what we could do to fix it. I bought a lot of people coffee. I probably should have stock at Starbucks. But the individual conversations, quite frankly, are the most effective. These are really sensitive issues sometimes, and talking about them in a group of people is difficult, so when you can get alone, one-on-one over lunch or coffee, even just a walk around the building, it is very effective.

JOHN GREER: I was always fearful someone would think that HR was getting into their business. If we were trying to become a true strategic partner, I always wanted to meet with them and say, here’s what I would like to do. I’d like to have your support in doing this and flush out any questions or concerns you may have. Sometimes there were a lot of raised eyebrows, because people feel threatened when they see HR asking questions. So I try to bring them in at the highest level at the beginning, so we don’t have to do it later on.

It was kind of a quick transition. When I was recruited to work at my current organization, we did not have an HR department. During the first six months, people were looking at me like I was just another fly-by-night outfit. Then, all of a sudden, I saw the executives in the organization coming to us, and we tried to treat them like customers and they came to us as clients. About six months later, people started seeing us as a resource and a customer-service unit and that we were there for them.
DAVID RUSSO: Well, the first hesitation I had was whether or not HR had the commitment from top management. Not just a wave of the hand saying, oh yeah, go do this. But did top management understand what this commitment would look like in terms of the level of effort and time that would be required of them?

At the same time, you have to risk that they’re really going to think this is worthwhile. That was the hesitation because in a small organization, there are a lot of things where top management had to put their fingers in and get involved. It’s not like a huge organization where there are delegates to perform the actual detailed work. The second hesitation I had is whether the employees who would be affected by this initiative would buy in. Would they buy into being responsible for their own careers where the company set out the path and the employees had to pick up and begin to seek out opportunities for training or job enrichment or whatever it would be to be able to develop their own careers? So we had a meeting with the executive team laying out exactly what it would take on their part and getting them to buy in. We got them to buy in by having them participate in developing career paths. That was kind of interesting to them because they learned more about each others’ divisions. They ultimately realized how many shared skill sets people had across the organization, and this gave them a better appreciation for the qualitative and quantitative aspects that the teams from other parts of the organization were doing. In addition, we have all-employee meetings every quarter, and at one of these meetings we announced the career development initiative and asked employees to step up and make some suggestions, which they enthusiastically did. That gave HR confidence that employees would buy into the process.
Once you began a strategic HR initiative, what barriers did you encounter?

Strategic HR initiatives typically involve change that affects a broad section of the workforce. For that reason, the biggest barrier is getting people to accept change.

Responses from the Panel Experts:

ISAAC DIXON: We’re no different than any other organization, quite frankly. People complain that we’ve always done it that way, that they don’t have the time or that they don’t see the sense of urgency to address the issue. We heard the standard stuff that all HR people face in their organizations. The best way to deal with those things is to address the objections as they come in. But you have to have thought about the answers to those objections before you get in the moment. I would say the most important thing is not to take anything personally and not to allow yourself to become emotional about it. If you do, you lose credibility.

JOHN GREER: We tend to have barriers from people who’ve been in the job a long time. Although we always had time sheets, they were recorded by hand. When we instituted electronic time and attendance, there was a great deal of pushback from the field because they had always done it by writing their time in. Employees thought that management didn’t trust them. It took us time to convince them that, yes, we do trust you. It’s the right thing to do, and management wants you to get paid for every minute you work. But we also needed to protect the company. The barrier that I have in the business is that we’ve been in business 70 years and “it has always worked well this way.” I hear that [argument] probably two or three times a month. Change is very difficult in a traditional company like this one. If I hear one more time that the founder of the company would turn over in his grave, I’ll go crazy. I can’t believe he wouldn’t want to go forward.

MARY WILLOUGHBY: Sometimes the biggest barrier is that organizations are so focused on the task at hand that they may only be able to view HR as functional, tactical part of the organization. Their expectation is that they only want HR to focus on benefits administration and other tactical areas. Therefore, you’ll get push back on strategic human resource management issues because [organizations] don’t want to invest the time to discuss the possibilities, etc. I find the best way to address this is to make sure the executive team sees the immediate and long-term benefits on the initiatives in financial terms.
Are there differences between large and small companies as it relates to strategic human resource management?

Organizations with more than 500 employees and HR departments with 10 or more employees were more likely to have a strategic plan. Large companies often have the resources to implement strategic initiatives not only in HR but in other disciplines as well, but they are sometimes bureaucratic and unwieldy. Small organizations, however, are usually nimble and can therefore implement change more quickly.

Responses from the Panel Experts:

ISAAC DIXON: I think in the larger organization there may be greater resources. There may be also greater awareness around strategy and strategic thinking. The downside is that communication is infinitely more difficult when the organization is large. In a smaller organization, where I can go next door and talk to my CEO, it’s easy to convey your ideas upward. But that doesn’t happen when an organization has 20,000 or 25,000 employees. A smaller organization may also be a bit more nimble in being able to make these changes.

JOHN GREER: Typically, in large organizations, the economies of scale of doing strategic things allows for greater flexibility, meaning you can get partway into a strategic initiative, realize that it needs to be tweaked and be able to tweak it without really upsetting the apple cart. In a smaller organization, your planning has to be on point because you generally have to expose the entire strategy. Once it gets out there—to all 350 or so employees—everybody’s going to know about it and it builds expectations. The building of expectations and even the tweaking of it sends mixed messages to everybody that you probably didn’t have it worked out right when you started the initiative. I think in a large organization you can get away with making changes in your strategy as you run into bumps along the way, without any significant repercussions. On the other hand, in a very small organization, you can see the effects of a successful strategy very quickly. It’s like the effect of an antibiotic on a bacterial infection. It’s immediate. You can see it happening. You can almost see the patient change color, get good color back to his or her face and be up and running. In a large organization, it’s like turning the Queen Mary around. Successful implementation may not be visible for a long period of time because it has to permeate so many cubby holes of the organization to be considered a success.

DAVID RUSSO: I think there are several reasons why strategic HR is a lot tougher to implement in small organizations rather than large ones. In most small organizations, the breadth and depth or expertise by the head of HR is typically not enough to have created the wisdom that he or she can readily think strategically on the basis of knowledge or years of applied skills as a practitioner. The second reason is that in smaller organizations the management team is so focused on tactical outcomes that it’s

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7 Ibid.
difficult for a person to apply a strategic perspective when he or she may be the only one thinking that way. It’s like they’re trying to catch fish for dinner, they’re not trying to worry about health of the pond. The third reason is that the HR person, even if he or she is a workaholic—which is not unreasonable to expect—doesn’t have the ability to hand off tactical duties to other support staff, nor is he or she able to outsource the work because there’s always a headcount and a money crunch. The fourth reason, and I hate to say this, is that a lot of HR people in small organizations like what I call the compliance and police work. It gives them a stranglehold on the organization. It gives them their teeth and they have control, and they wave that policing and compliance work as sort of their claim to fame. In my opinion, that’s a negative thing.

MARY WILLOUGHBY: I would say that my experience in larger organizations is that they think more globally, possess a greater willingness to listen and are more likely to invite HR to engage strategic talks that relate to the organization. Large organizations have a much clearer understanding of the effects of HR practices on the overall health and well-being of the organization. A small manufacturing company that I worked for had only 350 employees and ran itself like a real mom-and-pop-type place. They are no longer in existence, but they were really not interested in anything more from HR than making sure that their benefits and paychecks were received each week. I remember talking to the owner at one point, suggesting that the executive of the company should meet and think about where the company might go next and discuss what products we should be developing and what markets to go after. His response was very negative to that idea because he just wanted to focus on the tasks at hand. Eventually, most of the customers went overseas, and the organization went bankrupt. I’m certainly not saying I would have been its savior—I don’t mean to try to portray it that way. But it’s just that there was such refusal to look at the fact that the outside world was changing and that these changes could potentially affect the company.

My experience in not-for-profits has varied. I have worked for one that really wanted to move forward and encouraged its employees to think strategically. It valued its people and looked to HR to initiate programs that would help get the best productivity out of the employees. As a graduate adjunct professor at two universities near Pittsburgh, I am getting students from large not-for-profits, who indicate that their organizations really expect them to know how to think about HR in a very strategic way. They want HR professionals to know how to position their workforce to support the upcoming organizational changing objectives and how to retain employee talents. I’m finding that interesting that they’re getting these demands put on them and expected of them, and I think that’s great.
What lessons have you learned from strategic HR initiatives not working?

An important lesson is that strategic HR is more about business than it is about HR. It is critical for HR to be in-sync with what is happening in the business operations areas so that its solutions solve important business problems.

Responses from the Panel Experts:

BONNIE DANIELS: An example of strategic HR initiatives not working occurred when the organization I had worked for had been spun off from the main company. Because of the spin-off, HR decided to institute a change management initiative by educating employees and managers on strategies for dealing with organizational change. The problem was that the initiative was completely disconnected from the business activities that the operational folks were currently focused on, and therefore it failed. It was an initiative that HR thought was important, but it wasn't supported by the rest of the management team, and it was viewed as the flavor of the day by most employees.

The recovery from that failed initiative wasn't very clean either. Although employees participated in the program, the feedback on the training was very negative. HR had to go back and regroup and determine what was working here, what was not working and why. HR realized that it had to focus on what was important to the business and not focus of what HR thought was important. Ultimately, we ended up dropping the program and dealing directly at the local level and refocusing people on the goals of the business and how our organization had to remake itself. Although it was a mistake, it was a great learning experience for me to see this.

ISAAC DIXON: I think if you're not trying something new, you'll never fail. Our service program, for example, was rolled out on time, but the timing of it in relation to other skills that our employees needed first was just not right. In other words, they needed greater product training before they got the sales training. The big miss was giving people the training based on what we wanted them to know and not taking into account what they felt they needed to learn.

CINDY KOEHN: During an executive meeting, we decided to put another satellite location in Las Vegas, Nevada. The executive team thought that there were a lot of people in Nevada. I agreed intuitively, and HR went full fledged into the recruitment initiative for Las Vegas. But after six months of constant recruiting and constant flying out there, I took a step back and said, you know, we didn’t really even conduct an analysis of the employment market in Las Vegas. Obviously, something’s not working, and we began looking at the unemployment rates in the area and found out that they were extremely low. That meant that competition for talent would be extremely difficult not just because of the low unemployment rates, but because the amount of compensation required to pay them would be out of sync with our current rates and would affect our profit margins.
In the meantime, I began looking at other areas and found that Yuma, Arizona, was a better location for us to open up a satellite office. So I turned around, went back to the board and suggested that we think of other alternatives. The lesson learned here is that even though the idea came down from the top, I should have been the one to press for better due diligence. Questions about the local unemployment rates, compensation levels and the prospect of better options should have been addressed beforehand. Had we conducted the analysis on the front side, we would have been able to discover that there was such a strong market that our compensation scale wouldn’t be able to compete for talent in Las Vegas. Ultimately, we decided to open up a satellite office in Yuma, where the cost of living was low and the unemployment rate was 14.7% compared with 3% in Las Vegas. The office in Yuma is very successful.
Can you point to a time in your career when you learned how to think strategically about HR?

Most professionals remember when they started to think strategically because it was a time when they got out of their comfort zone, so it felt different for them. Strategic HR required them to use more business skills than HR knowledge in solving an organization-wide problem.

Responses from the Panel Experts:

BONNIE DANIELS: Absolutely. It had nothing to do with education; it had everything to do with a manager that I worked for. This individual is someone that I remain connected with and have remained connected with throughout my career. I worked for him for seven years. He was the general manager of the business, and he really understood people. He had a vision of business that consisted of a three-legged stool: the people in the organization, the customer and the strategic outlook for the business. The organization used to have a top-down process for goal planning, but he wanted to reverse the planning process by starting it from the bottom up. This meant having frontline employees involved early in the process, and he wanted HR to help figure out a plan to do this. He was a very engaging and dynamic leader who showed me that HR was not a functional silo but an integral role in the success of the entire organization.

ISAAC DIXON: Actually, I kind of backed into the HR part of the business. When you’re working for client partners who are not HR people, you have to design your approach to doing business with each individual client based on what that client’s needs are. So I’ve never lost that orientation. In addition, when you’re running an organization where you have profit and loss responsibility, you have to think about the cost of every segment in the recruitment, selection, placement and termination activities from a cost standpoint. Therefore, I always wear my business hat before I wear my HR hat, and this has served me well over the years. Also, I worked for a woman who was vice president of HR at a major credit corporation. She insisted HR professionals who worked there also had business experience in order to better align HR strategies to the businesses they supported. She was a great mentor.

DAVID RUSSO: I was lucky. I had two mentors as I came through HR--one for the positive and one for the negative. For a few years, I worked for a person who was the classic policeman, and I watched how this person manipulated the organization by holding out the specter of unionization, affirmative action and salary or OFCCP compliance. He also worked in concert with the head of the finance group to use wages and benefits as a hold over the organization. It was how he dominated. I was pretty young then, but as I watched this, I thought, if I ever get to be the head of HR, that doesn’t look like it’d be much fun. Nobody ever takes the guy out to dinner; he eats lunch by himself because people don’t want to be around him, because his control was waving the fickle finger of fate at people’s face.
The second person, interestingly enough, was a former military guy who had worked for several private corporations. When I met him, he was the head of employee relations and his perspective was “first treat people like adults.” He was a classic believer in Theory Y management, and he had a tremendous influence throughout the organization. He believed that you treat people like adults, give them the tools they need to do their jobs and then set up “bumpers on the side of the road” so they don’t get hurt by running off into a ditch. I learned a lot from him.

MARY WILLOUGHBY: I’m not sure there was any one specific event, but there were a couple of things. Once I had an HR professor who would preach that the assets go home at night. Since I started as an accounting major, I remember really understanding that statement. At a senior team meeting, I wrote on a flip chart that our assets go home at night. As the executive team filed into the meeting, the CFO looked at that and thought that it meant that computers were going home at night. So we engaged in a discussion about the assets being our people. At that same organization, I also had an opportunity to lead the organization through a strategic planning initiative using outside consultants. That process allowed me to understand how broad business goals can be made actionable and drilled down so that the entire organization can play a role achieving these goals.
What advice do you have for HR professionals who are seeking to become more strategic?

Learning to think strategically cannot just come from books—it is important to learn from the experiences of others. Sometimes learning from others’ mistakes is just as useful as learning from others’ successes. Finding a mentor either at your organization, a past employer or a local chapter meeting is one way to learn from someone with experience.

Responses from the Panel Experts:

BONNIE DANIELS: HR professionals need to align themselves either with someone from inside or outside the organization who can mentor them on understanding how the business aspects of their organization work. When I go into an organization, I want to understand sales. I want to know about marketing, operations, etc. I spend a lot of time in our plants, our distribution centers. My advice is to get out on the floor, talk to people, ride with a salesperson, sit on a customer call. Take a completely different perspective. Get outside of the comfort zone of your office and understand what the business is all about.

I continually suggest that HR professionals look for opportunities to improve their perspective. Always look inward at yourself first, look at what you are doing in an organization and have a complete understanding of how you are helping the organization achieve its goals. For folks just graduating from college, I think they should do an internship. For an HR person who majors in human resource management and organizational development, I have a few bits of advice for them. First, don’t just major in HR. Get a business administration degree because if you don’t do that, you will fail in HR at the senior level. The second thing is to do an internship in your junior year and make sure the internship gives you a broad perspective of all the functional areas of HR, not just focused in one area. Lastly, if you’re in HR and you want to continue your career domestically or internationally, you probably ought to have a second language. I submit that language needs to be Spanish because you have to be able to connect with a large majority of our population. If you’re in HR now and don’t know Spanish, there’s no time like the present to learn.

ISAAC DIXON: I think that as an HR leader, one of the things we can do for our staff is put them to work in other parts of the business and return to HR after they’ve done that. In my current organization, HR staff will go sit in the customer contact center while the employees are on the phone and listen in on telephone calls. They’ll spend time with our collectors and talk with them. They go out and visit the branches periodically so they stay connected to the business that we’re in. This is the big issue for HR people: sometimes they get stuck in their office and they are not as exposed to the day-to-day business issues as they really need to be. But you have to plan time for it to happen, because if you don’t plan the time, the days, the weeks, the months, the years slip away.
from you. And the next thing you know, you're just too far removed from the realities of the business that your company is in.

**DAVID RUSSO:** I suggest that HR professionals become very clear about what type of outcomes their organization is striving for in the long term. Understand what the end game is for the organization. Why are we here? I don't think many HR people get that. Number two, HR people really need to be in touch with the product or service. You have to know how it's made, how it's delivered, what impact it has on the client or customer, and why the customer should be interested. You have to know about that so that you can, as an HR person, build an infrastructure of staffing or benefits or compensation or incentives or employee relations that relate to the outcomes of what the business is trying to do. This allows you to have alignment from the beginning, from the first time a person steps on your soil to the time he or she exits either for termination or retirement. This helps you align your employees to your organization. But when I say alignment, I don't mean that every employee must be 100 percent aligned with your organization's vision, values and mission. But every employee should have an opportunity—and this is where HR delivers the message—to see things about the organizational structure, about the product, about the service, about the vision, the values and the mission of the company, that somehow align with his or her personal desires so that the employee can buy in. Because when employees buy in, you get commitment. And when you get commitment, then you have a winning opportunity. So I think that's the critical factor. When HR says it wants to be a business partner, it typically means that HR wants to have a seat at the table and be able to discuss things. But HR has to understand the business first—understand it from front to back, side to side, top to bottom. You have to understand the business, and you can't understand the business unless you understand the product, unless you understand the things that make the company successful and where the company wants to be.
Conclusion

The descriptive interviews that were held with senior HR executives suggest that various concepts exist around strategic human resource management. One is that strategic human resource management demonstrably links HR initiatives to supporting an important business objective. In this respect, strategic HR initiatives are driven with the goal of solving an important, yet broad-based business issue. In short, strategic HR is not about HR, but all about business.

The broad organizational impact of strategic HR means that it requires buy-in from many areas of the organization to be successful. Interviewees offered examples of how strategic human resource management failed to take hold. In all instances, lack of buy-in and low organizational support were cited as reasons that strategic human resource management initiatives derailed.

What makes strategic HR management hard to understand is that the perception of the strategic nature of HR depends on the critical business issues at hand. For example, a training initiative implemented in one organization might be seen as strategic, but in another organization, the same initiative might be viewed as routine. This training initiative will only be seen as strategic if it solves an important business issue.

All interviewees indicated that they learned how to think strategically about human resources by learning from others. University professors and mentors at work provided them with solid examples of how to apply the principles of strategic human resource management. The consistent theme was that HR professionals must learn the details of the business they are supporting. This gives HR professionals a context for employing specific HR practices and interventions to ensure that the desired business outcomes are achieved. In a recent study, the skills related to business knowledge, such as HR impact on mergers and acquisitions, strategic business management and strategic human resource management, were found to be the most important skills for senior HR professionals.8 Underscoring the need for HR to be taught within a business context, the recently released SHRM Human Resource Curriculum Template and Guidebook also recommends that HR programs, at the minimum, have a formal business focus.9 As human capital becomes more critical to firm success, the importance of strategic human resource management will continue to grow. Yet only HR professionals with strong business knowledge will be able lead the way.

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John Dooney is the manager of strategic research for SHRM. His responsibilities include producing quantitative and qualitative research that enables members and customers to make concrete business decisions, evaluate how HR can strategically contribute to an organization’s objectives and develop organization benchmarks. Mr. Dooney has a graduate degree in industrial/organizational psychology and more than 15 years of experience in domestic and international HR executive positions.

Resource List


