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Current Approaches to HR Strategies: Inside-Out vs. Outside-In

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Current Approaches to HR Strategies: Inside-Out vs. Outside-In

Abstract
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Keywords
management, employee, HR, practices, business, strategies, companies, firm, document

Disciplines
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Comments

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This paper has not undergone formal review or approval of the faculty of the ILR School. It is intended to make results of Center research available to others interested in preliminary form to encourage discussion and suggestions.

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Executive Summary

In an effort to determine the best practices with regard to Human Resource (HR) strategies, we conducted interviews with HR executives knowledgeable about their HR strategies from 20 companies, and gathered archival materials such as the HR strategy documents from 9 of the companies. We found that the content, process, and evaluation of the HR strategies can each be classified as focusing primarily on the HR function, the people of the firm, or the business. We provide some examples of ways that firms can move from an HR-focused to a business-focused HR strategy.

Current Approaches to HR Strategies: Inside-Out vs. Outside-In

In 1985, Golden and Ramanujam studied 10 firms in order to assess the linkage between HR and the business. They focused on structural/process-related issues and described 4 types of linkage. The "Administrative Linkage" described the situation where the HR function was completely divorced from the strategy of the business. Under the "One-way" linkage, top managers provided the HR function with the business strategy and the function was then expected to develop practices and processes to help implement the strategy. Firms exhibiting the "Two-way" linkage saw the HR function providing information to the top management to be considered in their development of the business strategy. Then, the strategy was handed back to HR to help implement. Finally, the most advanced linkage was the "Integrative" linkage where the senior HR executive was part of the top management team, and was able to sit at the table and contribute during the business strategy development. These authors found that of the firms in their study, 1 fell into the Administrative category, 4 into the One-way, 4 into the Two-way, and 1 into the Integrative category.

A few years later, Buller (1988) followed up this study using the same categorization scheme as Golden and Ramanujam (1985). On a slightly positive note, he found that 0 of the 8 firms in his study fell in the Administrative linkage category, with 3, 3, and 2 falling into the One-way, Two-way, and Integrative categories, respectively. In the ensuing years, numerous studies have examined the relationship between how well integrated HR is with the business strategy and business performance (c.f., Bennett, Ketchen, & Schultz, 1998; Huselid, 1993; Martell & Carroll, 1995; Wright, McMahan, McCormick, & Sherman, 1998). In addition, numerous books have been written to provide HR executives guidance with regard to how to better integrate HR and strategy (c.f., Becker, Huselid, & Ulrich, 2001; Ferris, Butler, & Napier, 1991; Greer, 1995, Ulrich, 1998; Walker, 1992).

Surely, almost 20 years and numerous books and articles later, the field of HR has developed a much more tightly integrated structure and is much more highly involved in the development and implementation of business strategy than it was in the early 1980's. Or has it? The purpose of this study was to assess the current state of the art and current best practices in the development and implementation of HR strategies. By conducting interviews with HR executives knowledgeable about their HR strategies and examining some of the HR Strategy documents themselves, we were able to both differentiate those HR functions that seemed to be most integrated with the needs of their businesses, and identify some of the processes and structures that enable HR functions to become better integrated.

Method

The research presented here was conducted through the Center for Advanced Human Resource Studies (CAHRS) in the School of Industrial and Labor Relations at Cornell University. CAHRS is a research partnership between 50 to 55 corporate sponsors[i] and the faculty and students in the School of ILR. The corporate sponsors are all Fortune 500 companies, representing a variety of industries; most are well-known multinational firms.

CAHRS has traditionally developed and maintained a best practice file to make available to students for classroom use. These files are developed by asking the sponsor companies to share, across 35 different HR topic areas, any documents that provide examples of what they consider to be some of their best practices. Students can then access these files to find examples of how companies have implemented programs in areas such as performance management, diversity, leadership development, etc. for their class projects.

During 2002, the development of the best practice file differed. Instead of only asking for mailed-in documents, we chose to focus on 3 areas in considerably greater depth. In a survey of our sponsor companies, they indicated that the greatest need for best practice information was in the areas of HR Strategy, Leadership Development, and E-HR. This paper presents the results with regard to the HR Strategy benchmarking study.

We invited any of the sponsor companies that felt they were companies that could be considered best practice companies to provide someone knowledgeable about the development of their HR strategy to submit to a one-hour interview. Twenty companies agreed to participate. As can be seen in Table 1, these were predominantly large, multinational, Fortune 200 companies. They had an average employment base of 76,000 (median = 35,700), ranging from under 10,000 to over 300,000 employees. The table also lists the title of the individuals who submitted to the interviews, and suggests that these individuals held positions in which they should have in-depth knowledge of their companies' HR strategies.

Table 1

Company Characteristics and Participant Titles in the HR Strategy Best Practices Study

Company's Industry	Participant Title(s)	2001 Revenue	Employees (2001)
Aerospace	VP, Compensation & Benefits	$15-30B	75K-150K
Chemicals	HR Operations Lead	$5-15B	10K-25K
Computer HW, SW, Services	Director, HR Communications	$5-15B	10K-25K
Computer HW, SW, Services	Senior Director, HR Strategy & Planning	$5-15B	25K-50K
Computer HW, SW, Services	VP, Global Workforce Effectiveness	$30-100B	150K+
Conglomerate	Mgr, HR Staffing and Development; Manager, HR Components	$100B+	150K+
Consumer Packaged Goods	Director, HR	$5-15B	25K-50K
Diversified Financial Services	VP/Manager HR Planning & Development	$5-15B	10K-25K
Diversified Financial Services	Director, Exec. & HR Prof. Devil.	$100B+	150K+
Energy	Director, HR	$100B+	75K-150K
Insurance & Investments	SVP, HR	$5-15B	< 10K
Insurance & Investments	Group SVP, HR	$15-30B	25K-50K
Insurance & Investments	VP, HR	$15-30B	25K-50K
Insurance & Investments	Head, Technology, Strategy & Delivery; 2 Leadership Development Consultants	$15-30B	25K-50K
Insurance & Investments	VP, HR Policy & Strategy	$15-30B	25K-50K
Pharmaceuticals	Head, Executive Development & HR Excellence	$15-30B	50K-75K
Pharmaceuticals	Director, HR	$15-30B	25K-50K
Pharmaceuticals	Director, Leadership Development	$30-100B	75K-150K
Retail	Director, HR	$30-100B	150K+
Telecommunications	Manager, Organizational Effectiveness	$5-15B	25K-50K

During the interview, we also asked the individual to provide their HR strategy document if one existed. In five cases, the company said that they had a document, but that they would not share it because it was confidential (however one of these companies did provide the core components of the strategy, as discussed later). In the rest of the cases, the individual either said they would send the document (11 cases) or that no such document existed (4 cases). As of the date of this writing, 9 companies either had sent in their HR strategy document (5 cases) or fully outlined the core components of their strategy during the interview (4 cases).

The interview consisted of 13 questions about a variety of areas related to their HR strategy. In essence, what we hoped to gain was a sense of the content of their HR strategy, the issues it sought to address, how it was developed, and the metrics they used to monitor its progress. The interview questions are provided in Appendix A. Rather than cover the answers to each question individually, we will summarize the major findings with regard to three issues: the process for developing the HR strategy, the content of the HR strategy, and the measures/metrics used to monitor or evaluate the HR strategy.

In analyzing the results, each of the authors first read through the transcript of each company interview individually to get an overall sense of the story that the company tells in terms of how the strategy was developed, who was involved, and how they attempt to assess its implementation. Then, we created a file that was broken down by questions, with all of the 20 company answers to each question listed back-to-back. This provided a sense of the themes and areas of convergence and divergence across companies. One author coded the companies on a number of variables to be discussed below and another author checked the coding for convergence. We then sat down as a group and developed a consensus regarding what the major themes and important findings were from the study.

Findings

While the interviews consisted of 13 questions, many touched on similar issues. Therefore, for the purpose of discussing our findings, we will break them down into three categories: process, content, and evaluation. Process issues deal with the actual process these firms used to develop their HR strategies, including who was involved, how long it took, how it was devised, and how it was disseminated. Content issues dealt with the issues the strategy addresses, the goals for the strategy, and its time horizon. Finally, evaluation issues are concerned with the way in which the function seeks to assess the effectiveness of the strategy, particularly focusing on metrics.

Process Issues

The Basic Steps. At a general level, the basic process involved in developing a people strategy resembles that of any strategic decision process. The basic steps should consist of (a) scanning the firm's external environment, (b) identifying the strategic business issues that need to be addressed, (c) pinpointing particular people issues that are critical to the success of the business, (d) developing a strategy to address the relevant issues, including connecting relevant metrics to the strategy, and (e) communicating the strategy.

While this process seems ideal, it is by no means universal. It can safely be stated that all of the respondents focused on the people issues, the development of the strategy (although not always identifying metrics) and communicating the strategy (at least internally to the HR community). However, not all respondents indicated that they did any scan of the external environment, and as we will describe later, not all focused on business issues. We see these two (external environment and business strategy) as being separate components that should be considered as part of the process, because a true understanding of the strategy cannot be gained without a deep knowledge of how that strategy attempts to position the firm in its external environment.

Two firms presented unique and interesting approaches to scanning the external environment as a part of the process for HR strategy development. One firm brought in external consultants to take the larger HR team (approximately 100 individuals) through a "scenario analysis" process. This process entailed identifying a few different potential business scenarios (e.g., the business continues at its present growth vs. the bottom drops out of the industry and the firm experiences negative growth). The group then had to develop skeleton strategies for responding to each of the different scenarios. Interestingly, the bottom did drop out of the industry shortly after the development of the strategy, so participants felt much better prepared to respond having already thought about what they would do under this scenario.

A second firm conducted a process of focus groups consisting of both line and HR executives across the globe. This process gave them a tremendous amount of information regarding business issues, engaged multiple stakeholders in the process, and enabled them to develop a strategy that was as "culture free" as possible.

Line Involvement. Both in the question about the general process and a specific later question about line involvement, we sought to gain an understanding of the extent to which key line executives participated in the development of the HR strategy. In examining the answers, it appeared that there were 4 potential (and not mutually exclusive) ways that line executives could participate, and some variation in the extent to which they did.

First, line executives could provide input that would be used in the development of the strategy. Virtually all companies (18/20) indicated that there was line input, but in some cases, this input was informal and assumed, rather than formal and explicit. For instance, one firm indicated that while the HR team developed the strategy, each member "is constantly working with the line leaders, and so s/he knows what those individuals see as issues." Our experience causes us to view such an assumption with considerable caution. Many HR generalists assigned to business units have very little deep and formal knowledge of the competitive issues facing their businesses. Thus, we would suggest that creating a formal mechanism for gaining

line input (requiring the generalists to interview or formally ask the business leaders about the current strategic issues), would be much wiser than hoping or assuming that such input is gained indirectly.

Second, line executives could be formally involved in the process by serving on the team or teams that develop the actual strategy. In only 5 cases did respondents specifically note that line executives had been formally involved in the process of strategy development (the case of focus groups noted above also had line executives as part of the corporate group that developed the final document). In 13 cases, there was no involvement of line executives, and the remaining two cases were difficult to classify. Clearly, those firms involving line executives felt that their strategies were more strongly tied to the business and that there was greater commitment from the line to the strategy. In fact, in one of the cases noted above, involvement of line executives was crucial because they are held accountable for the implementation of the strategy as part of their performance management process.

Third, once the strategy was developed, line executives could be involved by having the strategy communicated to them or made available to them. Note that communication does not require any type of response from the line executives, and may have been provided either as a courtesy or as a means of convincing line executives that the HR function was aligning its activities around the strategy.

Finally, line executives could be more formally and explicitly involved by requiring their approval over the final strategy document. While almost all firms (15/20, with the remaining five impossible to categorize) communicated the strategy to the line (possibly by simply distributing hard copies), only about half the companies (9/20) explicitly stated that they sought formal approval of the strategy from the line. Seven firms specifically noted that line executives were not asked to approve the strategy, and 4 were difficult to categorize.

These findings may raise some cautionary flags. While few, some firms seemingly develop their HR strategies devoid of any formal line input or feedback. If their HR

professionals are integrally involved in the businesses and well aware of the business and competitive issues, then such an approach may still result in an effective HR strategy. However, assuming such a situation exists when it does not may position HR further on the fringe of value-add in the minds of line executives.

Content Issues

The content issues revolved around the specific business issues that the HR strategy was intended to address, as well as the goals the strategy sought to achieve. Questions covered issues such as business issues/challenges the HR strategy seeks to target, the HR programs that support the business strategy, how the HR strategy contributes to innovation, core competence, and competitiveness, and the present vs. future orientation of the strategy.

Business issues/challenges. By far, the business issues or challenges most frequently cited as being addressed by the HR strategy were retention (5 cases), growth (5 cases), and globalization (5 cases). Other issues, such as customer-centricity, demographics, the changing psychological contract, culture change, mergers and acquisitions, diversification, distribution channels, capability to launch new products, becoming a public company, and the employee value proposition, were mentioned by only one or two companies.

The large number of people issues named as business issues may be cause for concern. We would suggest that issues such as retention, demographics, war for talent, changing psychological contract, and employee value proposition are best categorized as "people" rather than "business" issues. While critical to the overall success of the business, these are more enabling factors that lead to success in dealing with issues in the competitive environment. While it may seem a trivial distinction, it leads to an important question: Is identifying "people" issues as "business" issues an excuse for not knowing or getting integrally-involved in the business?

Let us illustrate with a further breakdown of the results. Of the 20 respondents, 5 listed ***only*** "people" issues, without mentioning any other business issues, and 2 were difficult to

classify. Certainly not ***all*** of the issues facing the business were "people" issues. In these cases, our interpretation was that they saw no further than the people issues - in essence, not clearly understanding why or how the people issues impact the business. For instance, most of them identified retention/attrition (one stated emphatically, "Retention ***is*** a business issue!"), but not how failure to retain might impact overall capability. Certainly, the loss of key employees can be detrimental to the business. However, paying immense amounts of money to ensure the retention of such employees can have an overall negative impact on the business. Moreover, some attrition, and particularly the departure of some employees, can positively impact the business.

An additional cautionary note came with regard to the content of the HR strategy. Some firms had a specific pillar or component of the overall business strategy that related to HR (usually something around "talent" or "building the most talented workforce in the industry"). On one hand, this represents significant progress for the HR function within a firm when the business strategy specifically identifies such an HR-related issue as critical. However, the potential danger lies with HR professionals (probably further down the HR hierarchy) viewing that as the "HR component" and then focusing on that to the exclusion of the other aspects of the strategy. Ideally, the HR function will play a significant role in the formulation and execution of ***all*** aspects of the strategy. Thus the HR leader should be vigilant in communicating and demonstrating that while a "talent" responsibility is important, HR systems, processes, and effort must be devoted to the entire business strategy, not just the one that appears to be most closely tied to HR.

<u>HR strategy components.</u> As previously mentioned, 9 of the firms provided hard copies of their HR strategy documents. It is important to note that these all represented corporate HR strategies, and thus usually articulated more generic principles than HR strategies for specific businesses. These 9 companies (average employment of 110,000, ranging from 15,000 to over

300,000 employees) were larger than the full-sample norm, perhaps indicating that larger companies have more resources to devote to the development of an actual document.

We examined the core components of each of these strategies to understand how HR strategies compared to one another in terms of their first priorities. For instance, one company identified talent, leadership, climate, performance, and HR capability as its priority components. Under one of these, more specific issues might be addressed (e.g., global diversity). It was our sense that these core components best represent how these HR leaders view their HR functions' primary roles in the organization.

While some variance existed across the companies in nomenclature and specificity, more consistency seemed to appear with regard to the basic principles or components. "Performance" or "productivity" appeared in 7 (with 4 specifically noting a "performance-driven culture"). "Leadership capability", or some variant of it, appeared in 6 of the 9 companies. "Talent Management" also appeared in 6 of the 9 companies, and it was a separate component from leadership in 5 (i.e., one company identified leadership but not talent, and one company identified talent but not leadership). Six companies noted a variant of "HR capability", which focused on developing and implementing the best HR systems, processes, and services. Four companies named "climate" or "work environment' as components, and while somewhat surprising given that all 9 companies have substantial overseas operations, only 2 specifically noted a "global" aspect as a core principle or component.

In summary, it appears that the core components of HR strategies seem to be building a performance culture, developing leadership capability, attracting and retaining the best talent, and providing state of the art HR systems, processes, and services. Given that all the companies were multinationals, it seems that the global component, while not ignored, is not currently core to most HR strategies.

<u>Time Frame for the HR Strategy</u> There was very little variance in the time frames of the HR strategies. All but 3 firms noted that the HR strategy was developed as a guiding document

for the following 2-5 or 3-5 years. In addition, they noted that they revisit the strategy each year to see if it needs modification in light of recent developments.

Evaluation Issues

A final set of questions focused on identifying how HR functions seek to evaluate the effectiveness of the HR strategy. Questions focused on the "desired outcomes" of the strategy and the metrics they use to monitor how well the firm is delivering against the strategy.

The metrics seemed to fall into two basic categories: people metrics and HR metrics. People metrics assessed aspects of the workforce, while HR metrics assessed the performance of the HR function. Four people metrics appeared most consistently: leadership development / succession pool (14 cases), retention (12 cases), employee satisfaction (measured by climate surveys; 9 cases), and diversity ratios (9 cases). The top three most commonly identified HR metrics were: customer satisfaction (surveys of HR's customers; 8 cases), headcount/HR or HR- budget/employee ratios (6 cases) and time to fill (4 cases).

Again, it seems somewhat interesting that very little attention was paid to business outcomes as interviewees responded to these questions. In one sense, this is not surprising because it seems unwise to focus on outcomes over which you have little or no control. Many HR functions tend to have both substantial control and substantial accountability only for HR systems, processes, and services. HR-specific metrics tend to be preferred because they are less- or un-contaminated by other influences. As one moves into the people metrics, such as retention, diversity, etc., performance becomes more dependent on line managers (executives, managers, and supervisors) with the HR function having some, but considerably less, control (and accountability). Finally, business outcomes are ones that depend on the entire organization's (executives, managers, supervisors, employees, staff, etc.) contributions, with the HR function possessing only minute control, and probably little accountability.

Although we acknowledge that HR lacks substantial control and accountability for business-specific outcomes, we caution that to formally advocate such a position within the firm

perpetuates a problem that continues to plague many HR organizations. Business metrics need to be the concern of every HR professional, regardless of the amount of control they possess over the outcomes. Again, vigilance from the HR leader in continually communicating the business outcomes/metrics can help to promote and maintain a business-driven perspective.

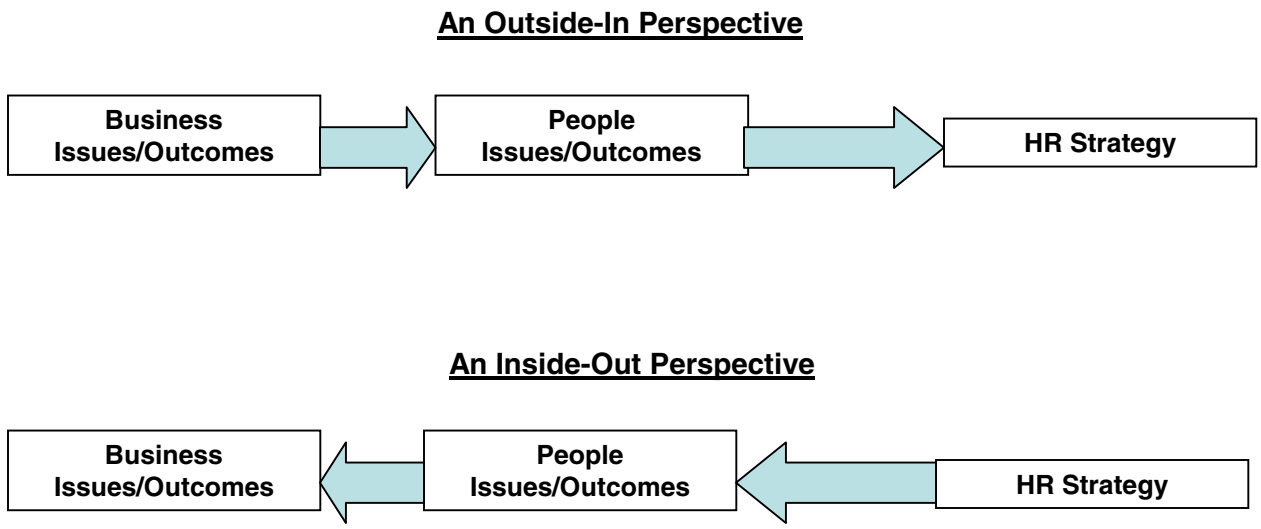
Conclusions

The structured interviews and examination of the HR strategy documents presented as part of this study reveal that the HR profession has progressed significantly from the mid-late 1980's when the Golden and Ramanujam (1985) and Buller (1988) studies appeared. However, it also reveals that there is still significant room for improvement. While all of the firms in our sample were actively attempting to integrate their HR activities to support the business, significant variance existed in how this was carried out. We provide a framework based on our own interpretation of these results as a way of understanding some of the current practices in the development of HR strategies, as well as suggestions for improvement.

A Question of Focus: Inside-Out or Outside-In

A common theme emerged across answers to the questions and across the process, content, and evaluation dimensions. This theme revolves around the major focus of attention for the HR strategy. In essence, some firms had functions that were almost entirely internally-focused on the HR function, while other firms seemed to have moved their focus out of the function and toward the people of the firm. Some firms seemed to have made the linkages from the HR function, through the people, to the business. Finally, a few firms seemed to represent a tectonic shift in perspective: Rather than starting with HR and linking forward to the business, they began their process and thinking with the business, and that drove the HR strategy. We should note that these categories were not mutually exclusive, but rather, seemed to build upon the previous one(s). That is, firms that had a people orientation still concerned themselves with HR function issues, and those that were business-oriented still concerned themselves with both HR and people issues. This basic distinction is depicted in Figure 1.

Figure 1
Outside-In vs. Inside-Out Perspectives for Developing HR Strategies



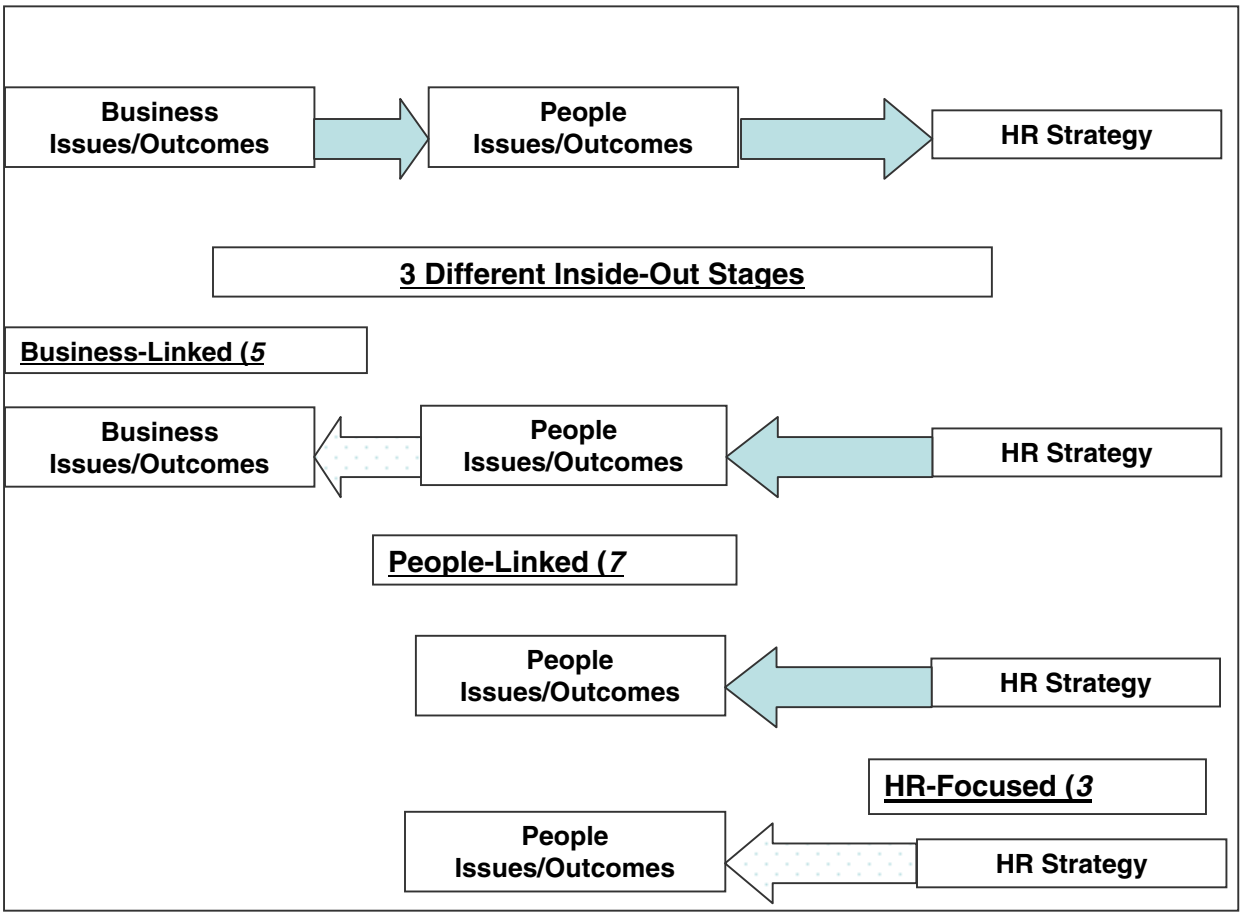
This figure illustrates the "Inside-Out vs. Outside-In" perspective differences. Under one approach, we observe HR functions that have been entirely inwardly-focused, and when asked about business issues, all they can see are those issues for which they feel some responsibility (i.e., having to do with the people). Exemplifying an alternative approach are HR functions that seem to start with the issues facing the business, and then build an HR strategy to help the business deliver in all areas, not just the ones most directly related to HR.

Just how prevalent were these different approaches in our sample of 20 companies? In order to answer this we tried to categorize firms with regard to the level of integration between HR and business strategy by looking across responses to the issues regarding process, content, and metrics. This resulted in what we identified as 4 different approaches: Business-Driven, Business-Linked, People-Linked, and HR-Focused. These different approaches are illustrated in Figure 2.

Figure 2
Different Perspectives Identified in the Study (n=20 companies)

An Outside-In Perspective

Business-Driven (*5 cases*)



First, the "Business-Driven" approach consisted of 5 firms that seem to have fully developed an outside-in approach for developing HR strategies that align the HR function with the strategic needs of the business. These firms start with the business in answer to most every question, and the interviewees seemed to possess an in-depth knowledge of the business, its issues, how people fit in to its business model, and the role that HR can play in supporting it. Their perspective seems to initially treat HR as a blank slate: They begin by identifying the major business needs and issues, considering how people fit in and what people outcomes are necessary, and then building HR systems focused on meeting those needs.

The remaining companies still seemed to be largely bound by an inside-out mindset. Such firms seemingly begin with an assessment of what HR is doing, then identify the major people outcomes they should focus on, and in a few cases, how those might translate into positive business outcomes. While all shared this perspective, they varied in how far "out" they were looking. For instance, 5 firms seem to be close to turning the corner, in that while their perspective may be largely inside-out, they at least consider the linkages all the way through the business outcomes. This approach we considered to be a "Business-Linked" approach, because it appeared that the functions had articulated the linkages among HR, People, and Business Issues.

We would categorize another 7 firms as having clearly identified, articulated, and aligned their HR activities around people issues and outcomes, but not business issues and outcomes. These we referred to as "People-Linked" because the strategy linked to, but may not have been driven by, people issues.

Finally, 3 firms seem to be fully characterized by an inside-out perspective for developing their HR strategies, and these we classified as "HR-Focused." Even their articulation of people outcomes seemed to stem more from an analysis of what their functions currently do, than from an understanding of how those people outcomes relate to the larger business.

Limitations

All of this discussion and analysis should be considered with an appropriate amount of caution. The sample is by no means large enough, nor representative enough, to make any inferences about the current state of HR strategies in all firms. However, it should also be noted that if it is biased in any way, it is probably toward the more progressive end of the spectrum. As discussed, the companies that chose to participate did so because they felt that they had "best practices" that other firms might want to benchmark. In addition, the respondents were all large, Fortune 200 companies that would tend to have greater resources available to devote to the development of HR strategies.

Also, while the firms nominated the individuals to be interviewed, and their titles seem to indicate that they should be well-versed in the development and implementation of the HR strategy, there is no assurance that all were. To the extent that the wrong individual was identified, it may very well be that the current state of HR strategy in that firm is further (or less further) along than the responses indicated.

Conclusion and Recommendations

While we by no means want to imply that the results of this study represent the current state of the art, we do believe that the "inside-out" vs. "outside-in" distinction can be quite useful for categorizing HR strategies and the processes used to develop them. We would argue that HR functions and their corresponding strategies are much better positioned to add value to firms when they take an outside-in perspective. Such a perspective better ensures that the right issues are being dealt with, and is likely to gain greater buy-in from line executives. Such buy-in not only raises the status of HR in their eyes, but also may generate greater commitment from them to internalize the HR strategy; line executives might view its implementation as part of their roles, and not just HR's. To develop an outside-in approach, we would suggest the following:

1) **Develop a formal process for involving line executives in the development of the HR strategy**. This involvement should consist of a larger group providing input, one or more line members serving as part of the group that develops the actual strategy, having the top executive team formally approve the strategy, and then disseminating it to all key line executives. In an ideal scenario, as in one of the companies studied, line executives would also be held accountable for the people metrics contained in the HR strategy.
2) **Have formal mechanisms for tracking developments in the external environment as part of the process**. Identify key trends and potential scenarios that will impact both the workforce (e.g., demographics) and the business. These, along with the strategic direction set by the firm, should be the starting point from which the HR strategy is derived.

3) **Begin with the assumption that everything the current HR function is doing is either wrong or does not exist**. Be vigilant in ensuring that no current or prospective HR processes and systems are considered until a deep understanding of the business and people issues is gained by the HR strategy team.
4) **Identify the key business and people metrics that will determine or indicate the success of the business, then constantly track and communicate those metrics to the entire internal HR community**. We do not think that metrics serve as a panacea, nor that it is possible to identify all of the relevant metrics that will perfectly assess performance. However, while performance on many of these metrics goes beyond the control of the HR function, they will focus HR attention on the key business success indicators. By also communicating key people and HR metrics to business leaders, HR can foster a valuable on-going dialogue and reinforce line buy-in.
5) **Based on the business issues and metrics, develop the HR strategy that will maximally drive performance on those metrics**. This requires identifying 4-6 core components that can guide thinking and decision making, with second- and third-level details that provide more specific instructions, objectives, and activities.
6) **Remember that the HR strategy is a process, not a document, intervention, or event**. Any strategy is a pattern in a stream of decisions, and as business and people issues change or obstacles appear, the pattern (strategy) will also have to change. The strategy should be formally examined for relevance annually, but informally examined on a continual basis.

It is our belief that the progress the field has seen over the past 20 years will exponentially increase over the next 10. While these recommendations are not a panacea, they will likely lead to HR strategies that better support business strategies, increasingly add value to the business, and continue to build the status of HR functions in organizations.

[1] The number of sponsors ranges from year to year as some sponsor companies drop membership and new companies join, thus it is difficult to give an exact number of sponsors. However, for the past 7 years, the sponsor base has never dropped below 50 companies and has never gone above 56.

Appendix A

HR Strategy Interview Questions

Company Name:
Company Contact Person's Name:

1. Would you share your HR Strategy document with us?

2. Describe the process you used for developing your HR Strategy. Who was involved, how long did it take, how was it devised, how was it disseminated, etc.?

3. What are the major business issues/challenges that your HR strategy seeks to address?

4. What is the time horizon for this strategy? How long do you think this strategy will remain in place before it needs to be reorganized? If it is a living document, upon what basis do you keep t alive and changing?

5. How would you describe the major outcomes you hope to achieve through the HR strategy? Do you have any metrics in place to assess if you achieve those outcomes?

6. What are the major (3-5 most critical) metrics you use to assess the effectiveness of your HR function (in particular, assessing HR's contribution to the organization)?

7. Which HR activities/programs currently support the strategy and which need to be modified?

8. To what extent were line executives involved in the formation of the strategy and what are their key contributions to its implementation?

9. In what ways does the strategy support the development of the firm's core competencies?

10. How does the strategy support innovation and competitiveness?

11. To what extent is the strategy based on today's needs versus tomorrow's competitive capability?

12. Is there any other information that we have not yet captured that you would like to share with us?

13. Follow-up: Please send any additional written materials (i.e. competency models, vision statements, etc.), ideally within two weeks.

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