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# Ultimate HR Manual

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## ALIGNING HR STRATEGY WITH CORPORATE BUSINESS STRATEGY

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Many organizations realize that their employees are vital to all aspects of their organization’s performance, particularly to their top strategic challenges such as responding to increased competition, developing new products and services, and capitalizing on advances in technology. The workforce is emerging as the most significant component of corporate competitiveness and financial performance. Of critical importance, then, is the organization’s ability to attract and retain the best employees. Downsizing, mergers, mass retirements, and ineffective retention programs have represented a financial and knowledge drain for many organizations; consequently, they have had to take critical steps to build and maintain a successful human resources strategy to address these business challenges.

However, for many organizations a clear gap still remains between business needs and the HR department’s perceived focus and capabilities. Some senior executives continue to view HR as focusing on administrative activities such as rewards and benefits, performance evaluations, and HR operating efficiency. Although HR could play a bigger role as a strategic, value-added partner, not just a cost centre, some organizations are not currently engaging HR in the formulation of strategy leading toward improved operational results.

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To succeed in helping organizations address their people-related strategic challenges, HR must continue to expand its capabilities beyond basic HR operations and administration. To address today's business needs, organizations are increasingly focused on creating a supportive HR capability. Many HR departments already recognize the challenge, and are shifting their administrative transactions and other non-strategic HR activities to a shared services centre or outsourcing vendor. In theory, this will enable them to focus more attention on strategic "people" issues such as talent management, the creation of a high-performance culture, training, and leadership development. These issues generally have the greatest impact on organizational growth, competitiveness, and profitability. Thus, HR is transitioning to a new role that is less administrative and transactional and more directly supportive of business strategy.

## What Would Strategic HR Look Like Within the Organization?

Strategic HR would support an organization's goals by helping to formulate strategy, build capabilities, ensure culture alignment, and develop guiding principles. A senior executive in charge of HR would oversee corporate human resources, HR services, and HR solutions. Perhaps we might even see a CHRO (Chief Human Resources Officer) or other C-level executive dedicated to people issues. The HR staff would act as organizational capability consultants and would be viewed as strategic business partners.

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## Improving HR's Capabilities and Business Understanding

To really make a difference, HR staff at every level must improve their understanding of the business and then develop new HR capabilities to help the organization address its most pressing business issues. Consider the following questions to evaluate how strategic your HR department is, within your organization:

- Do you understand the business?
- What financial indicators are important to the company?
- Who are your clients or customers?
- What is your competitive advantage?
- What major technological changes affect your work?
- Do you know and understand the corporate objectives, mission, and vision?
- Can you quickly list the major initiatives of your company?
- Do you align HR programs with organizational goals?
- Can HR position the organization to succeed?
- Is HR focused on deliverables?
- Does HR report on effectiveness?
- Are major organizational decisions made with HR's input?

HR departments should work on developing their capabilities and business understanding as suggested above. As they work towards becoming more aligned with business goals and strategy, their value and contributions will be recognized and the perceptions and utilization of HR will change over time.

Some indications that HR is viewed as a strategic business partner would include the following:

- HR does more planning work and more organizational design work;
- HR is involved with more career and management development work;
- the HRMS is fully integrated;
- line managers use HR to solve operational problems; and finally
- rotation in and out of HR is valued within the organization.

## Examples

Here are some ways HR can transform itself into a strategic function by developing people-related capabilities that the organization needs to compete and grow.

### Human Resources Business Partner Role

Some organizations have implemented HR strategic business partner (SBP) programs to change the focus from administration to strategy. Here, HR works as a viable business partner with the organization's other business units. HR staff attend strategic meetings, provide guidance, and work with the groups to develop people strategies to support their business objectives. The SBPs might even have a centralized group to receive business information brought back from the business units, and to respond by developing supporting programs.

### Merger Integration

Mergers and acquisitions (M & As) are a feature of many business strategies. Yet most organizations approach integration as if they were doing it for the first time. HR could help address the challenge by developing standard and repeatable tools and methods to help make integrations quicker and more effective.

### Emerging Markets

HR could help by creating standard systems, tools, methods, and policies and procedures that could be quickly adapted to local labour laws and market conditions when an organization expands into new country operations.

### Global Mobility

HR could develop the ability to quickly and easily source the most effective talent anywhere in the world and deploy it wherever it is needed.

## Summary

Organizations whose human resources and human capital development practices are both valued by employees and aligned with business strategy will achieve superior results in key business performance drivers such as productivity, innovation, and client satisfaction.

The biggest impact of human resources strategy on financial performance will not be direct and instantaneous. Improvements will more likely occur incrementally, indirectly, and over time, realized through the positive effects on intermediate outcomes like productivity, quality, and client satisfaction rather than through a sudden increase in share prices.

Many organizations are already achieving success. Their leaders view HR as a strategic business partner; they align their employees with clients; they measure the impact of HR and training investments against key business results; and they use technology to improve workforce performance. For HR practitioners who pursue best practices

and strategic HR, and for the organizations that align HR strategy with business strategy, the future looks promising.

There may be a lot of work to do, both within organizations and within the HR profession itself, but strategic HR is a recipe for improved competitiveness and productivity.

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## PAY EQUITY UPDATE

Two studies released this spring, together with a Federal Court decision in the ongoing Canada Post saga, give