

How Strategic Is HR Now? The Latest Research Shows Progress

Although the need for more strategy in HR operations is now clear, progressing toward that goal is still under way at many organizations. SHRM's *2006 Strategic HR Management Survey Report* assesses the "state of the art" of strategic HR, reporting findings on strides already made and providing some future assessments.

Three-quarters of the 427 HR professional respondents report that

their organizations have a strategic business plan in place. More than two-thirds of those HR professionals said the plan had been communicated throughout the organization. This is the necessary first step toward strategic HR.

HR PLANNING

HR departments are also involved in strategic planning for their own departments, the research found:

More than one-half (56%) indicated their HR department had a strategic plan in place. In most cases (96% of respondents), that plan is aligned with the overall organizational business plan.

Even the smallest organizations (one to 99 employees) are making headway on the HR department strategic planning issue: 43% currently have such a plan. Among organizations with 100 to 499 em-

**Table 1. Extent of HR's Involvement in the Organization
(by HR Departments With a Strategic Plan)**

	To a Large Extent	To Some Extent	To No Extent
HR works closely with senior management in implementing organizational strategies	68%	29%	3%
HR works closely with senior management in creating organizational strategies	56	38	6
HR has achieved a level of respect that is comparable with other departments in the organization	49	45	6
Senior management realizes that investments in HR make financial sense	47	47	6
HR implements strategies and processes to drive business results	46	49	6
HR is involved in the communication of the business goals	46	41	14
The role of HR is increasingly more focused on strategic interests	43	49	8
HR is involved in the alignment of the business goals	42	49	10
HR involvement is essential in all major business activities and decisions	36	57	7
HR creates strategies and processes to drive business results	36	54	10
HR is involved in the development of the business goals	31	55	14
HR is involved in monitoring the achievement of business goals	30	49	21

Note: Sample size is based on the actual number of respondents who answered this question using the response options provided. This table is sorted by percentage of respondents who responded "to a large extent" for each statement and excludes respondents who indicated "not sure." Percentages within each category may not total 100% due to rounding.

(Source for all tables: SHRM 2006 Strategic HR Management Survey Report)

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STRATEGIC HR (cont'd)

ployees, 59% said they have an HR department strategic plan, as do 64% of those with more than 500 employees.

Having a strategic HR plan in place makes it more likely that HR will have established ways to measure. Such HR departments were also more likely to be involved with various aspects and functions within their organization.

STRATEGY INITIATIVES

It is clear that HR departments with a strategic plan in place are more likely to be more involved in the 12 strategy areas addressed than where there was no HR strategic plan (see Tables 1 and 2).

The aspects rated the highest by HR professionals from departments with and without a strategic plan in place included the following:

- HR works closely with senior management in *implementing* organizational strategies (68% for HR departments with a strategic plan in

place and 38% for HR departments without a strategic plan in place).

- HR works closely with senior management in *creating* organizational strategies (56% and 27%).

- HR has achieved a level of respect that is comparable with other departments in the organization (49% and 26%).

- Senior management realizes that investments in HR make financial sense (47% and 27%).

- HR *implements* strategies and processes to drive business results (46% and 19%).

The report observes that these findings reveal that having an HR department with a strategic plan in place is important to the level of contribution that HR can offer.

METRICS & MEASURES

Tracking data and benchmarking are part of the strategic process. “Metrics and analytics are critical measurement tools that help uncover opportunities, identify problems,

measure progress, and recognize differences between performance and expectation,” the report explained. Such measures should link closely to the strategic plan.

Nearly half (49%) of the survey respondents said their organizations have an established method in place to measure HR strategy effectiveness. Organizations with more than 500 employees and those with HR departments having 10 or more employees were more likely to be using metrics and measurements than other organizations.

The most common measurements in use are for recruitment and selection processes (59%), followed by performance management (52%), compensation management/reward programs (51%), benefits management (51%), and employee relations (49%) (see Table 3). Less traditional functions such as corporate social responsibility programs (17%) and employment brand strategy/employment branding (21%) were less of-

Table 2. Extent of HR's Involvement in the Organization (by HR Departments Without a Strategic Plan)

	To a Large Extent	To Some Extent	To No Extent
HR works closely with senior management in implementing organizational strategies	38%	52%	10%
HR works closely with senior management in creating organizational strategies	27	55	18
Senior management realizes that investments in HR make financial sense	27	54	20
HR has achieved a level of respect that is comparable with other departments in the organization	26	58	15
HR implements strategies and processes to drive business results	19	57	24
HR involvement is essential in all major business activities and decisions	18	55	27
HR is involved in the alignment of the business goals	18	51	31
HR is involved in the communication of the business goals	17	57	26
The role of HR is increasingly more focused on strategic interests	14	51	35
HR is involved in the development of the business goals	13	48	39
HR creates strategies and processes to drive business results	10	58	32
HR is involved in monitoring the achievement of business goals	10	48	42

Note: Sample size is based on the actual number of respondents who answered this question using the response options provided. This table is sorted by percentage of respondents who responded “to a large extent” for each statement and excludes respondents who indicated “not sure.” Percentages within each category may not total 100% due to rounding.

ten linked with these measurement systems, the report said.

ROOM FOR IMPROVEMENT

The most frequently cited barriers that limited the ability of the respondents' HR department to more effectively contribute to the organization's bottom line were their department's strong focus on administration and the inability to directly measure HR's impact on the bottom line.

HR professionals were asked to rate to what extent various factors may limit their HR department's ability to more effectively contribute to the organization's bottom line. Eighty-six percent said their department's focus on administrative duties, rather than on strategy, limited their ability to contribute either to a large or some extent. And 78% reported that their departments were

not able to directly measure HR's impact on the bottom line and lacked an established method for measuring the effectiveness of HR strategy through metrics and analytics.

The report suggests these actions to overcome the challenges:

- **Outsourcing or hiring dedicated staff** for specific tasks could help with administrative burdens.

- **Develop measures so that the department can add value.** Consistent measurement systems are getting "more sophisticated, and great advancements are being made in this area every year," the report notes. "In due time, refined measurements will be available that will provide HR professionals with the data they need to help their organizations run more effectively and will aid HR in measuring its direct impact on the bottom line."

Until then, the report suggests that HR professionals should "strive to perfect their HR-related metrics and attempt to utilize any available data that could be used in conjunction with organizational and human capital measurement issues."

- **Get closer to the CEO.** The more closely the head of HR is to reporting directly to the CEO, the more HR can accomplish: 63% of HR professionals indicated that the individual overseeing HR directly reported to the CEO/president. Smaller organizations were much more likely to have HR as a direct report to the CEO.

FOR MORE INFORMATION

The complete *2006 Strategic HR Management Survey Report* is available to SHRM members at www.shrm.org. □

Table 3. How Often Metrics or Analytics Are Used With Specific Organizational Functions

	Frequently	Sometimes	Rarely
Recruitment and selection processes	59%	31%	10%
Performance management	52	41	8
Compensation management/reward programs	51	34	15
Benefits management	51	34	15
Employee relations	49	31	20
Health, safety, and security programs	43	39	18
Budgeting	40	38	23
Retention programs	35	40	25
Employee communication programs	34	44	23
Diversity practices	32	42	26
Employee engagement initiatives	31	43	27
Analysis of trends and forecasting	29	45	26
Leadership development	28	51	21
Human capital measurements	28	37	35
Retirement planning	27	38	36
Talent management initiatives	26	39	35
Skills development initiatives	21	53	27
Work/life programs	23	44	33
Succession planning	22	41	37
Employment brand strategy/employment branding	21	40	39
Corporate social responsibility programs	17	38	45

Note: Percentages are row percentages and may not total 100% due to rounding. This table is sorted by percentage of respondents who responded "frequently" for each function and excludes respondents who indicated "not sure" or "not applicable."

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