



Aligning Business and HR Strategies for a Changing Economy

"It's about having the right people in the right place at the right time, doing the right work, the right way." Indra Nooyi, CEO, PEPSICO ₁

Business Managers need Human Resource knowledge. Human Resource Representatives need business savvy. When both business leaders and HR professionals have a common understanding of best practices, they can collaborate to define and implement policies and practices that are adapted to changing economic demands and support the financial success of the organization.

The Society for Human Resources Management (SHRM®) has defined six essential functional areas that provide business and HR managers the foundation for effectively developing a workforce that will support the organization's strategic objectives₂:

- Human Resource Management
- Employment Law
- Recruitment and Selection
- Compensation and Benefits
- Employee Development
- Performance Management

Human Resource Management - Business leaders establish strategic goals based on an internal analysis of strengths and weaknesses and an external analysis of opportunities and threats. In today's dynamic business environment, HR actively participates in the strategic planning process. When the objectives are clear, HR begins the workforce planning process of forecasting the desired number and skills of employees, inventorying current and potential resources, and developing HR programs and strategies for recruitment, outsourcing, training, etc.

Employment Law - Compliance with Federal, State, and local law reduces the organization's exposure to expensive litigation and judgments. In January 2009, major changes took effect in 1) the Americans with Disability Act Amendments Act that expanded what conditions can be "regarded as" disabled and 2) the Family Medical Leave Act regulations that expanded the qualifying reasons for leave. Because laws change, both business and HR managers must keep informed of the latest provisions and interpretations.

Recruitment and Selection - Strategies for identifying and choosing the "right person" vary with the economy and the industry. In boom times, the major challenge is to find the staff needed and showcase the organization to attract new and retain current talent. Today's strategies increasingly use

technology strategies including use of social networking sites. In lean times when financial resources decrease and selective staffing cuts may be necessary, the organization must avoid cutting the talent that will be needed to respond quickly and effectively when the up-tick occurs. HR takes the lead in adjusting the recruiting and selection processes and ensuring that practices achieve the immediate and longer term needs while complying with equal employment regulations.

Compensation and Benefits - The organization must develop a compensation and benefit plan that achieves a delicate balance. If the total compensation rates are too high, the profitability of the organization can be compromised. For example, high benefits rates have been cited as part of the financial problems of the US automobile manufacturers. The Heritage Foundation comments on the overall compensation data reflect that “GM reports--**46 percent of total compensation**--was paid as benefits.”³ On the other hand, if the rates are too low, employee satisfaction may decrease and key talent may leave the organization. HR must find develop compensation strategies that balance financial resources with employee expectations.

Employee Development - Employees with the right skills and knowledge are more productive. Both internal and external development resources contribute to employees’ readiness to address the new technology and customer standards. Front line managers, who have the closest understanding of the product requirements, can partner with the HR professionals, who have understanding of developmental strategies, to build a development and succession plan to meet long term workforce needs.

Performance Management – Clear performance goals coupled with timely coaching and development opportunities are the core elements of an effective performance management process that engages the workforce. With changing organizational requirements, once- a-year-feedback is not sufficient to recognize successes and/or short comings as well as clarify the path for future. “Research highlights that the employee connection to the organizational strategy and goals, acknowledgment for work well done, and a culture of learning and development foster high levels of engagement.”⁴ This engagement is vital to the productivity of the organization.

Just as Human Resources can no longer function primarily as administrative support, business managers can no longer be effective without a fundamental orientation to HR best practices. When business managers and HR professionals collaborate in defining and adjusting workforce strategies, the organization is best prepared to adapt to changes in the economy.

- 1) T +D Training + Development, June, 2008, “Doing Good While Doing Well”, Tony Bingham and Pat Galagan, p. 34.
- 2) SHRM® Essentials of HR Management Certificate, “Develop Your HR Skills”, 2007, p. PRB-1.
- 3) The Heritage Foundation Web Memo #2162 “UAW Workers Actually Cost the Big Three Automakers \$70 an Hour” by [James Sherk](#), December 12, 2008.
- 4) SHRM® Research Quarterly, Leveraging Employee Engagement for Competitive Advantage: HR’s Strategic Role, by Nancy R. Lockwood, SPHR, GPHR, M.A., Manager, HR Content Program, March 2007.