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## Strategic HR Management: Strategy Facilitation Process by HR

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### Abstract

To meet the competitive challenges organizations face today, HR must go beyond being a functional player and should become strategic partner. It starts with the understanding of the business and the competition. Strategic partnership can only be realized by understanding the business, taking part in the strategy formulation process, spreading the strategic word throughout the organization, taking an active role in the implementation of it and generating the necessary competencies for the accomplishment of the strategy. The whole process can be named as the strategy facilitation process lead by HR. HR has all the necessary tools to facilitate and be indispensable part of the strategy implementation.

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Strategic HR Management; Strategy facilitation; Strategic Partner

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### 1. Introduction

Today's fast-changing competitive landscape requires that every company should have clearly defined competitive strategy. To clearly define the strategy hardly means that it would be implemented effectively. Effective implementation of the strategy is the second big question the top management faces after the formulation of it. Generally, it is a market oriented and financially spelled statement and hardly has clear directions for the day-to-day implementation. This is the point where Human Resources (HR) Management can assume a strategic partnership role and be a facilitator for the implementation of the strategy.

Dave Ulrich (1996) was the first to coin the term "HR as strategic partner" in organizations. He provides a framework that identifies four distinct roles of HR professionals: Administrative Expert, Employee Champion, Change Agent and Strategic Partner. He explains that HR professionals must operate in all four areas simultaneously in order to contribute fully and underlines the importance of being a strategic partner to create value. There must be a move from the traditional functional HR orientation to a more strategic orientation. Becker and Huselid (2006)

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suggests that the field of HR Strategy differs from traditional HRM research in two important ways. First, Strategic HRM focuses on organizational performance rather than individual performance. Second, it also emphasizes the role of HRM systems as solutions to business problems (including positive and negative complementarities) rather than individual HRM practices in isolation. Strategic HR Management theory is more concerned with the implementation of strategy.

Strategic Partnership is about sharing the responsibility of the strategic initiatives and alignment of HR activities with the business strategy. This is the prominent task of the HR Management today. Sometimes, it sounds easy to implement Strategic Partnership, but it needs a lot of effort from HR. HR needs to be a facilitator for the implementation of the strategy throughout the organization to add even more value to the organization. Facilitator is explained in Merriam-Webster on-line dictionary as “one that helps bring about an outcome (as learning, productivity or communication) by providing indirect or unobtrusive assistance, guidance or supervision”. That is exactly the definition of HR Managers role in Strategic Management of the company.

To facilitate the strategy implementation, HR needs to understand the formulation mechanism of the strategy. That way, HR can deeply analyse it and correctly interpret it into HR actions. Those actions must be organized with a process methodology to make the workflow efficient and the action steps clear for the implementation. The outcome process should have the necessary characteristics of an interaction process between top management, HR professionals and employees. The process should be designed in a way to create interaction opportunities for all parties within the organization to internalize the strategic objectives and to cooperate for achieving them.

## 2. Designing a Strategy Facilitation Process

The process must start with the understanding of the business and the competition. HR can only be a real strategic partner if (1) it understands the business and takes its part in the strategy formulation process; (2) spreads the strategic word throughout the organization; (3) takes an active role in the implementation of it and (4) generates the necessary competencies for the accomplishment of the strategy.

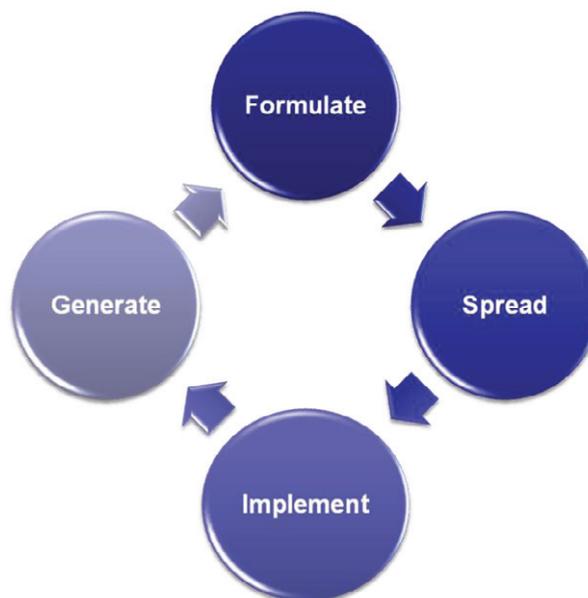


Fig. 1. 4 steps of strategy facilitation process by HR

2.1. Formulate

HR understanding of the strategy must start right from the formulation phase. “Formulate” would not mean that the strategy formulation primarily is the role of HR Managers. On the contrary, it is the primary role of the top management. There are mainly two different approaches to strategy formulation process: The outside-in and the inside-out approaches. In the former, the principal focus of interest is the link between strategy and the external environment. In the works of Michael Porter (1980), analysis of the industry structure is the starting point of the process and then the company defines its competitive positioning relative to the competitors. In the latter, the starting point is the internal environment ‘resources’ of the company. It is also called as the resource-based approach. This approach to the firm has long provided a core theoretical rationale for HR’s potential role as a strategic asset in the firm(Wright and McMahan,1992).

Resource-based approach to the Strategic Management tells that the top management can only formulate the organization’s strategy by assessing its resources. There comes the need for strategic partnership of the Human Resources Manager.As Human ‘Resource’ Management being the focal point, the resource-based approach gives us more opportunity to explore the role of the HR to create competitive advantage for a company. In this respect, the resource-based strategy analysis framework developed by Grant (1991)provides a practical tool to assess the contribution of the company’s resources to the strategy.

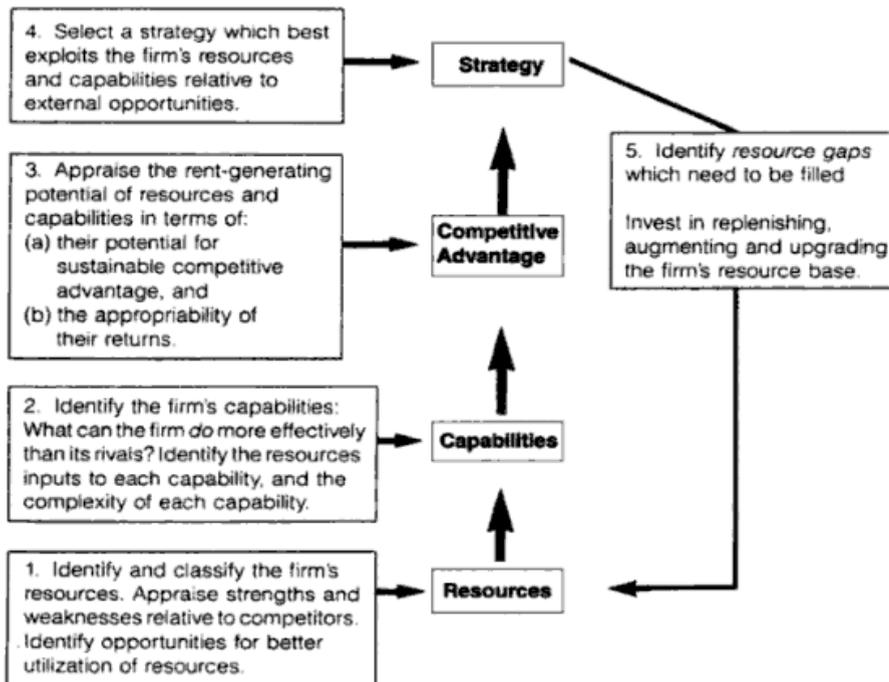


Fig. 2. A Resource-Based Approach To Strategy Analysis: A Practical Framework (Grant, 1991)

## 2.2. Spread

Once the strategy is formulated, the real pain that the top management feels is how to inform everybody in the business about it. HR function has a critical role to play at this stage. ‘HR Training skills and services’ that HR typically provides the organization can be used to help corporate leaders deploy the strategic initiatives that are required to implement predefined strategies.

Strategy deployment is a service that is in significant demand by CEOs, executives and other business unit leaders because they frequently have not made the desired progress to successfully implement their strategic objectives. To begin with the implementation, it must first be understood by every interested party (McCarty, 2012). This places a huge burden of telling the strategic story of the company to everyone in the organization on the top management. They hardly has the time to do that.

HR professionals can easily apply straightforward training methods using their existing toolbox to help the top management to fulfil this strategic responsibility. This would be considered by the top management as a critical business service provided by a credible business partner. On the employees’ side, it is a good opportunity to hear more clear and detailed words about strategy from a trained professional.

Regardless of how simple or complex the company’s strategic plan is, usual training tools can help. HR should prepare series of training sessions to spread the strategic word throughout the organization. To give the message visually, HR can use ‘House of Strategy’ model (Bas, 2010).

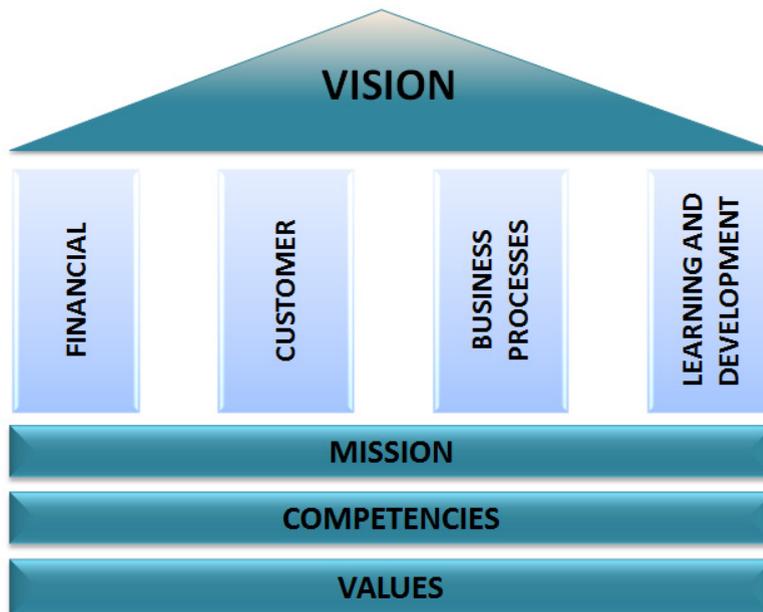


Fig. 3. The ‘House of Strategy’ model (Bas, 2010)

This model has all the ingredients that are declared compulsory by the strategy thinkers to be digested by the employees at any level. It is a useful visual tool to be used by HR to spread the strategic word. The model suggest that at the base of the strategic framework of the company, there lies the mission, corporate competencies and values. The Mission statement should represent and explain the company’s purpose for existence in a long-term prospect. Every company should have a clearly defined mission and every employee should know and understand the Company’s mission.

In order to accomplish the mission, every company should define their competencies as part of their company culture of doing things in the company. Competencies can be described as behaviours that distinguish effective performers from ineffective ones, can include motives, beliefs, and values, and are generally representative of the tasks and activities used to accomplish a specific job(McLagan, 1996). Groups of competencies typically include knowledge, skills, abilities, or characteristics associated with high performance on the job(LeBleu and Sobkowiak, 1995).

The core values of an organization form the foundation on which people perform work and conduct themselves. Core values are not descriptions of the work they do or the strategies they employ to accomplish the mission. The values underlie their work, how interact with each other, and which behaviours they employ to fulfil the mission. The core values are the practices they use (or should be using) every day in everything they do.

At the top part of the ‘House of Strategy’ there lies the vision and balanced strategic statements. They follow Kaplan and Norton’s Balanced Scorecard perspectives: Financial, Customer, Business Processes and Learning and Development(Kaplan and Norton, 1996). This is the part where we link the strategy to the implementation by explaining the vision and the strategic perspectives of the company.

2.3. Implement

At the implementation stage, ‘HRPerformance Management skills and services’ are used to interpret the strategic word into daily actions and follow up the realization. Classical performance appraisal and measurement should be evolved into strategic performance management system that seeks methodological deployment of the company’s vision into day-to-day actions.

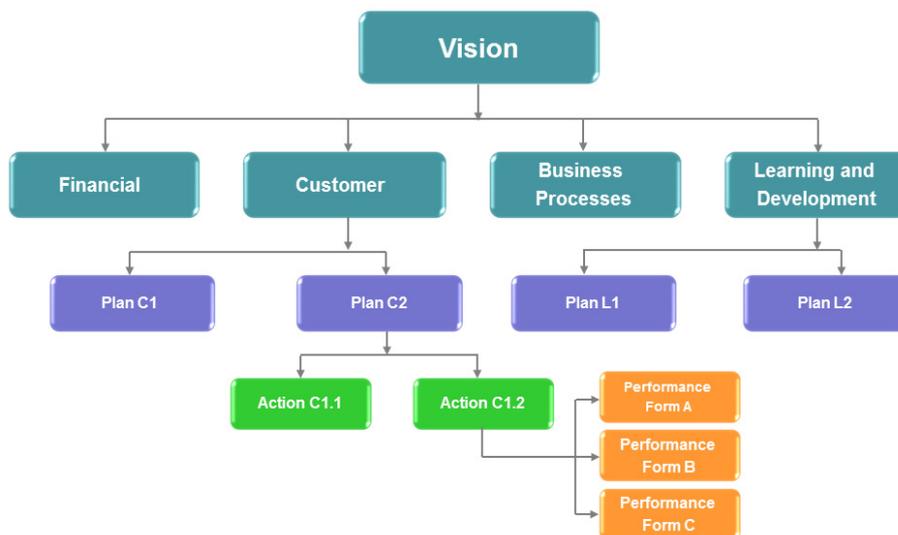


Fig. 4: Deployment of the vision into performance forms.

Following the 'House of Strategy' model's four balanced strategic perspectives, there needs to be four strategic success formulas. These formulas should be written in order to further explain the strategy which will be followed in that strategic success area to accomplish the vision of the company. These formulas then should be questioned as "how" that will be achieved. Those answers to that first "how" questions will form the "strategies" of that strategic perspective. Those answers then will be questioned with a second series of "how" questions. Second generation of answers will be the "plans". Plans will be further questioned for detailed actions with specific targets and the name of the employees to perform them. This records then can be rearranged to create the strategic performance management system forms for every person in the organization.

#### *2.4. Generate*

As a member of the top management, HRManager has an active role during the strategy formulation process, especially for the human related issues. Once the strategy is formulated, he/she will create the HR competency model in accordance with the strategy requirements. A competency model describes the particular combination of knowledge, skills and characteristics needed to effectively perform a role in an organization and is used as an HR tool for selection, training and development, appraisal and succession planning (Lucia and Lepsinger, 1999). In order to ensure the consistency between the strategy and what is needed to make it happen, there needs to be methodology designed in line with the strategy formulation process.

Our model (Bas, 2008) uses the same structure with the Grant's framework. But, the process flow is not bottom-up but top-down. It takes the stage after the strategy is formulated. At the top of the model, there is the statement of competitive advantage of the company and its strategy. This statement is the manifesto of company core competencies.

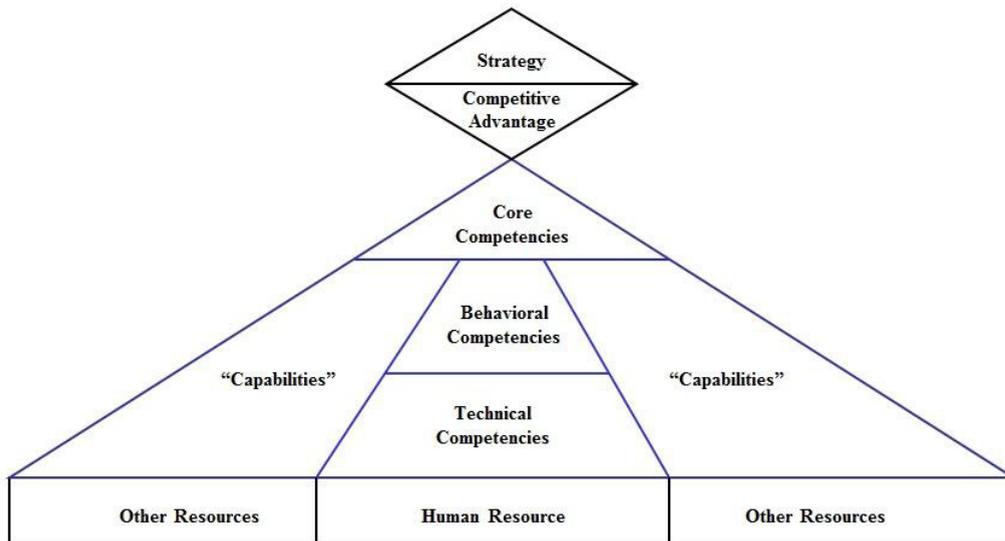


Fig. 5. A Model For Managing Human Resource Competencies Strategically(Bas, 2008)

These core competencies are not to be confused with the HR competencies. Hammel and Prahalad(1990) name three factors to identify core competencies in businesses: They provide potential access to a wide variety of markets; make a significant contribution to the perceived customer benefits of the end product; and difficult for competitors to imitate. Core competencies are the collaborative products of company capabilities. Capabilities arise from the interaction of the multiple resources. HR competencies will take the lead to initiate the interaction process between the resources, thus the company core competencies will be created. At the bottom of the model, there are the company resources together with the human resources.

The most general answer to the question of how to operationalize strategy implementation is to focus on a firm's strategic capabilities. In the resource-based literature, terms like resources and capabilities are used interchangeably and refer to the tangible and intangible assets firms use to develop and implement their strategies(Ray, Barney and Muhanna, 2006). Moreover, the ability to implement strategies is, by itself, a resource that can be a source of competitive advantage(Barney, 2001).

It is the top management's inevitable duty to develop, diffuse, integrate, leverage and renew core competencies (Doz, 1997). This strategic HR competency model demonstrates the interrelationship of Human "Resource" with other resources as well as the ones with core competencies and the company strategy. Thus, enabling HR to pinpoint and demonstrate the competencies that employees must have, both now and in the future, to achieve the company's strategy. 'HR Development skills and services' play a critical role at this stage.

The competency profiles should be analysed for each and every position in the organization and the should be defined to reflect necessary competencies to achieve best performance in implementing the strategy. That is where the strategic partnership of HR play a critical role to help achieve top management's strategic targets. The strategic management of employees' competencies by HR is the key to accomplish the company's vision.

When we arrive at the end of the process with generating new sets of competencies, in fact, this creates new possibilities of formulating new strategies. Strategies are formulated to create competitive advantage for the company. The competitive advantage must rely on a distinct core competency of a company. As HR generates new sets of

competencies, those will be the basis for new formulations of strategy. Therefore, our strategy facilitation process creates a reproductive loop that makes possible to create new competitive advantages.

### **3. Conclusion**

HR being the strategic partner of the top management discussion is nothing new. This is the “what” version of the question. But, “how” of being the strategic partner is yet to be explained. In this article, we have attempted to present to HR professionals a practical approach that can be implemented by them with the ‘skills and services’ that are already at their hands. We have preferred to explain the approach with a process methodology to make the steps clear for implementation. We call it ‘strategy facilitation process led by HR’ as we believe that HR can add even more value to the business by assuming the strategic partnership role and facilitating the implementation of the business strategy.

The strategy facilitation process effectively uses formal communication channels of the organization and creates an interaction between top management, HR professionals and employees within the organization to internalize the strategic objectives and to cooperate for achieving them.

This process methodology has direct managerial implications and outlines for HR Managers a comprehensive approach to use their existing toolbox to play the strategic partner role even more productively. It also shows top managers how to use HR services to facilitate the strategy implementation. This methodology suggests further exploitation of existing resources within the organization with marginal extra investment. The return would be abundant as it would be effective implementation of the strategy.

The methodology is largely based on the researcher’s years of HR field practice and personal observations in relatively large scale companies having international operations. This might not be transferable to all types of organizations. Thus, it is recommended that researches can be conducted on different scale organizations for the generalizability of findings.

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