Study Strategies

Although the PHR exam is multiple choice, try writing and answering your own "essay-based" questions. Write open-ended questions that require a response of at least a full paragraph—and write your answers without looking back at your study materials. The process of actually writing down your answers will reinforce what you already know, and will highlight what you need to study more. It will also likely help you as you work to recall this same information when you answer related multiple choice questions on the actual PHR exam.
Introduction

There is a familiar quotation that goes something like this: “Some people make things happen, some people watch things happen, and some people wonder what happened.” In our profession, we are fortunate to have the opportunity to choose which of those paths we will follow. While this choice holds true for every chapter of this book (and therefore for every functional area within HR), it is particularly true of this one.

In each of the following sections, we will look a bit more closely at some of the key, underlying concepts and how they can support our efforts to function more strategically in our roles as HR professionals. Some of the areas will provide a step-by-step approach to the concepts being presented. Others will identify, define, and/or offer a brief explanation about other items that it’s important for HR professionals to know, but that aren’t fully explored in this chapter.

EXAM ALERT

Perhaps more than for any of the six functional areas, PHR candidates are strongly urged to supplement the material presented in this chapter with other sources. Although the wisdom of seeking ancillary materials holds true for all of the functional areas, doing so is particularly important for strategic management, for a number of reasons. First, the concepts covered in this area are prone to a variety of interpretations, which may differ slightly from each other.

Additionally, though the functional area of strategic management represents a relatively small percentage of the PHR exam (12%), it covers a significant volume of information and spans a wide array of theories, disciplines, and practices. The SPHR exam, in fact, devotes 26% of its questions to this functional area—more than twice the percentage found on the PHR exam.

With such a large amount of territory to cover, it’s impossible to predict what will be on the exam—so don’t try. Give yourself plenty of time, curl up with a good periodical or two, and prepare to learn a lot. This approach will increase the likelihood that you will perform better on the PHR exam. Perhaps even more importantly, it will help you function more effectively in your role as an HR professional, as well.

The Evolving Role of HR

As explored in Chapter 1, HR has been on a long and sometimes challenging journey through which it has redefined itself as a profession and redefined itself with respect to its role in the organization.

A Brief Historical Scan of HR

Much has changed about our profession during the last 50+ years, during which an ongoing discussion around professionalism and certification has continued to evolve. Perhaps the most outwardly recognizable sign of the struggle in which we have been engaging is how we refer to our profession.
Originally, it was known as “Industrial Relations” (the “I” and the “R” in Cornell’s “ILR” come from “industrial relations”; the “L” comes from “labor”). Sometime back in the 1950s, it started to be called “Personnel.” Today, for the most part, we know it as “Human Resources.” Tomorrow, who knows what it will be called; in some organizations, a “Chief People Officer” or a “VP of People” already leads our function.

One thing is certain—our name hasn’t changed just to “keep up with the times.” Rather, these changes reflect the transformation of our role from a “job” or a “support function” to a bona fide profession—from administrative support roles to strategic organizational partners.

Of course, just as the name of our department has not changed in all organizations, so too our role has not evolved at an even pace in all organizations. Let’s take a closer look at what this means, and at what its true impact is on how we carry out our roles.

**HR As It Was, and HR As It Is (or Can Be)**

As mentioned previously, the way in which HR professionals carry out their functions has changed and evolved over the years. Table 3.1 highlights these:

<table>
<thead>
<tr>
<th>TABLE 3.1 HR: Then and Now</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Then</strong></td>
</tr>
<tr>
<td>Reactive</td>
</tr>
<tr>
<td>Gatekeeper (or gate closer)</td>
</tr>
<tr>
<td>Policy enforcer</td>
</tr>
<tr>
<td>Authoritarian</td>
</tr>
<tr>
<td>Focused on HR, and its goals</td>
</tr>
<tr>
<td><strong>Employee advocate (from managers’ perspective)</strong></td>
</tr>
<tr>
<td>Management advocate (from employees’ perspective)</td>
</tr>
</tbody>
</table>

The distinctions between “then” and “now,” however, aren’t always quite as absolute as this chart may indicate.

- Many organizations fall somewhere along the spectrum between “then” and “now” in terms of how their HR departments function in an overall sense.
- Other organizations might more closely resemble “then” with respect to some HR functions, and more closely resemble “now” with respect to others.
- So, too, each of us might function in some ways closer to the “then” end of the spectrum, and function in other ways closer to the “now” end of the spectrum.

This can be true on an organizational, functional, or even individual level.
Dimensions of HR—Three Legs of a Stool

Just as our role has evolved, so too the ways in which we need to carry out that role have evolved.

Leg #1: Administrative
These are the transactions—the things that need to be done. Over the years, some of the transactions we used to perform have gone away. More often, however, those functions simply take a dramatically different form today than they did yesterday, or are being handled in different (and often more streamlined and/or more technologically sophisticated) ways (such as self service kiosks, Intranets, HRIS applications, outsourcing, and so on).

Leg #2: Strategic
The difference between the administrative functions in HR and the strategic functions in HR is like the difference between being a person who designs automobiles and being a passenger. Both are important and, ultimately, each needs the other. Were there no automobile designers, the current generation of cars would become the future generation of cars, leaving certain safety and efficiency needs unmet (not to mention ever-changing stylistic trends). Were there no passengers, there would be little need for cars in the first place, and certainly no need for anyone to invest time and energy in looking toward the future.

Strategic HR takes a long-term, future-focused approach to the ways in which it will work with the organization to attain its organizational mission. It looks at business and organizational issues, rather than “HR issues.” It fosters and cultivates change, rather than maintenance of the status quo. It is dynamic, effective, consultative and ever-evolving—just like our profession itself.

Leg #3: Operational / Tactical
Somewhere in between the administrative functions that must be performed and the inventive and creative life force that is part of strategic management lies the operational—or tactical—dimension of the HR function.

One definition of the word “tactical” offers a militaristic reference, which might help to explain its particular relevance to the HR profession. The American Heritage Dictionary of the English Language defines “tactical” as follows:

► (a) Of, relating to, used in, or involving military or naval operations that are smaller, closer to base, and of less long-term significance than strategic operations.

► (b) Carried out in support of military or naval operations: tactical bombing.
The Evolving Role of HR

This definition aligns well with the application of this term in the HR profession. The operational, tactical, or day-to-day performance and execution of the HR role can be accomplished in many different ways—some of which do more to define us toward the administrative end of the spectrum, while others demonstrate more vividly how, and whether, the overarching strategic objectives of HR (and, therefore, of the organization) are being brought to life. In the metaphor used previously, the tactical area might be depicted by the role of the driver. We also wouldn’t get anywhere without drivers—even if we had the most evolved designs and finest appointments imaginable. Also, the performance and safety features that were woven into the design will come to life in the hands and feet of the driver—who plays a more active and involved role than any of his or her passengers.

Understanding Your Clients’ Management Functions

To be an effective strategic business partner, it’s also critical to have an understanding of some of the foundational underpinnings of management.

Principles of Management

Perhaps an unlikely guru, Henri Fayol was hired at the age of 19 to work as an engineer for a French mining company. He worked there for many years, ultimately serving as its managing director from 1888 to 1918. Based on the experience he gained at the mining company, Fayol—known as the Father of Modern Management—identified five functions of a manager, which he referred to as

- Prevoyance
- To organize
- To command
- To coordinate
- To control

In modern parlance, these five functions are referred to as planning, organizing, coordinating, directing, and controlling. Let’s take a closer look at each of these so as to better understand organizational structure and the context within our clients carry out their roles.

Planning

Planning lays the groundwork for how managers will work toward accomplishing the organization’s goals. Through planning, managers decide what needs to get done, when it needs to get done, who will do it, how it will get done, and where it will be done. In the absence of planning, the organization—and the people in it—will lack direction, and perhaps even just “coast along.” In other words, to quote the immortal words of the great philosopher (and baseball
“Hall of Famer”) Yogi Berra, “If you don’t know where you are going, you will end up somewhere else.”

Organizing
Organizing speaks to the ways in which the manager obtains and arranges the resources that he or she needs to implement the plans (the output of the “planning” function). Those resources could include people, facilities, materials, and so on. During the organizing function, the manager must also decide reporting relationships within the organization. In short, the linkages between people, places, and things must be established.

Coordinating
Through the coordinating function, the manager brings together all of the resources that he or she has organized to accomplish the stated plan. The manager must also ensure that “the pieces fit.”

Directing
During the directing phase, the “rubber hits the road.” The actual work is performed—goods are produced or services are provided. In addition to ensuring that things go smoothly from a technical perspective, in the directing phase, the manager must also focus attention on leading and motivating the human resources who are actually performing the work.

Controlling
Controlling assumes more of an oversight role, and in some senses an evaluative role. In this phase, the manager ascertains the degree to which the planning he or she engaged in actually produced the desired results. If the manager determines that there is a gap between the targeted goals and the actual results, the manager must then focus on ways to bridge that gap.

Fayol subsequently broke these five functions further down into fourteen principles of management:

1. Division of work
2. Authority and responsibility
3. Discipline
4. Unity of command
5. Unity of direction
6. Subordination of individual interests to general interests
7. Remuneration of personnel
8. Centralization
The Evolving Role of HR

9. Scalar chain
10. Order
11. Equity
12. Stability of tenure of personnel
13. Initiative
14. Esprit de corps (union is strength)

Project Management—A Valuable Tool

More and more, work is project based. For many of us, and for many of our clients, project management is a critical skill needed to perform our own work and to support the work that our clients are performing, as well.

A common difficulty of project-based work is the inherent challenge of balancing day-to-day workload with efforts to complete high priority “special” projects. Projects are frequently delegated to individuals with nothing more than a deadline—and with no additional resources. Understandably, the person to whom the project has been delegated will seek assistance in undertaking the project from people and from equipment that is already being utilized to carry out the day-to-day responsibilities of the operation. In addition to slowing down productivity relative to the regular workload, it is also quite possible that the project may not be accomplished within its stated time frame. Enter “project management.”

Project Management: Definition and Processes

“Project management” is interesting and somewhat unique in that it is both a means to an end as well as an end (and a profession) unto itself (sounds a bit like human resources, doesn’t it?).

The Project Management Institute (PMI) defines project management as “the application of knowledge, skills, tools, and techniques to a broad range of activities in order to meet the requirements of a particular project.” Project managers seek to accomplish their objectives by gaining control over five factors: time, cost, quality, scope, and risk. To do this, those who undertake a project must clarify the needs and scope of the project, work out a plan for meeting those needs, and manage the project according to that plan. These steps, however, are sometimes easier to talk about than they are to execute.

PMI goes on to identify five distinct (yet overlapping) processes within project management:

- **Initiation Processes**: Initiation processes are those processes that secure approval and/or authorization to undertake the project.
- **Planning Processes**: Through planning processes, objectives are established, as are the best alternatives that will support the attainment of those objectives.
Chapter 3: Strategic Management

- **Executing Processes**: Everything comes together through the executing processes—the scope, the objectives, and the deliverables all fall into place. In order to attain this level of successful execution, the right resources need to be in the right place at the right time.

- **Controlling Processes**: Controlling processes include managing the scope of the project and making sure the project stays in line with the original objectives. A significant degree of follow-up is required to carry out controlling processes.

- **Closing Processes**: Closing processes involve “signoff” processes and mark the end of the project. As part of closing processes, stakeholders must determine whether and to what degree the project met its obligations.

These processes, while separate, are interrelated. The output from one set of processes contributes significantly to the inputs used for other processes. While the processes are not wholly finite and discrete, they are more or less sequential, in the order presented here. Perhaps the best way to describe these processes is that they are “interdependent,” while still separate.

**EXAM ALERT**

Be familiar with important project planning terms and concepts, including, but not necessarily limited to

- Project manager
- Project sponsor
- Project charter
- Project team
- Project plan
- Project schedule
- Work breakdown structure (WBS)
- Gantt chart
- Program evaluation and review technique (CHART) charts

**HR’s Role in Change Management**

It has been said that the only constant is change. That is perhaps particularly—and at times poignantly—true in the workplace.

Organizationally, change is all around us and can take many forms: downsizings, redeployments, introductions of new processes, reassignment among staff, mergers and acquisitions...the list goes on and on. Without a doubt, HR plays a major role with respect to managing that change productively (in those organizations where HR has truly earned a “seat at the table,” HR will ideally have an important role with respect to shaping change, as well).
HR's role, in this regard, is inextricably linked to the attainment of organizational objectives and the furtherance of the organization's mission. During times of change, HR is called upon to lead people management processes. HR professionals—individually and collectively within the organization—must align their people management efforts with the strategic goals of the organization. HR must also be prepared to measure the degree of success that has been attained (see “Measuring HR Effectiveness”).

To meet the ever-accelerating pace of change, HR professionals must understand change as well as the environments that cause change. This understanding will be particularly important when HR is called upon to adapt the organization's people management practices to new workplace-based realities while maintaining and improving upon current levels of organizational performance. As such, successfully designing, aligning, and implementing adaptive people management practices is an essential component of being a strategic HR partner.

**EXAM ALERT**

Although these areas extend beyond the scope of this book, they don't extend beyond the scope of your potential responsibilities as an HR professional. Let this book serve as a starting point for your PHR exam prep, as well as for your continued growth and development as an HR professional.

Change theory and process is addressed more thoroughly in Chapter 5, “HR Development.”

### Outsourcing

Outsourcing—otherwise known as the use of “third-party contractors”—is a growing trend that has directly impacted, and that will continue to directly impact, HR's role. That impact has two distinct dimensions: First, HR is an area that has, in many organizations, experienced partial or significant outsourcing of its components. Second, HR facilitates—and sometimes oversees or even orchestrates—outsourcing that takes place within other parts of the organization.

**Outsourcing Defined**

Let's take a step back, however, and take a closer look at the concept of outsourcing. Outsourcing can be described as the reassignment of responsibilities, functions, or jobs that had been performed *within the organization* to now be carried out by resources that are *outside the organization*.

**NOTE**

“Offshoring” is a specific type of outsourcing that seeks vendors that are way outside the organization—specifically, these third-party providers are located overseas.
How to Outsource: An Outline

Outsourcing is a complex process that can have a significant impact on the organization, the people who work within the organization, the attainment of organizational goals, and even the organization’s reputation in the marketplace. The decision to outsource should not be made lightly, and the “three step process” outlined here is in no way intended to “dummy down” the required course of action. Like so many other components of this book, this three step process is intended to provide you with a starting point—an overarching framework that will help you identify those areas in which you would benefit from additional information.

Question #1: Is outsourcing appropriate?
In addressing this question, a number of factors need to be taken into consideration, a few of which are

- Internal costs versus the costs associated with outsourcing
- Internal abilities and talents versus abilities and talents available through outsourcing
- The importance and complexity of the function that is being considered for outsourcing
- The degree of variability in transaction volume of the function that is being considered for outsourcing

Question #2: If outsourcing is appropriate, how will we select a vendor?
There are many factors to take into consideration, and questions to ask, when choosing a vendor. Here are a few that are particularly important to consider:

- **Technological strength:** Do the vendor’s technological resources and capabilities meet or exceed your project requirements? If so, by how much? Are there appropriate backup systems and redundancies in place?
- **Scale:** How much growth do you anticipate? Is the vendor prepared to meet your growth expectations and requirements?
- **Experience:** Does the vendor have related and recent experience? How closely does that experience resemble the current project in terms of scope, complexity, and so forth?
- **Costs:** What are the up-front costs that you would incur with this vendor? Up-front costs could include training, program design, IT setup, and many others. Additionally, what hidden costs might you incur, perhaps as a function of attrition, telecommunications charges, and the like?
- **Quality:** What is the vendor's commitment to quality? How does it manifest itself, and how can it be measured? On average, how much time does it take for the vendor to
resolve concerns that originate from customers and/or clients? What are current client/customer satisfaction rates with those resolutions?

- **Communications**: What is the nature and frequency of the communication that you can expect to engage in with the vendor? If appropriate, will someone (an individual with appropriate authority) be available 24/7 throughout the life of the project?

- **Success Record**: What is the vendor’s track record with recent clients? To find out, talk with recent clients of your choosing. Ask them what went well in their experiences with the vendor and what didn’t. Ask about lessons that the vendor learned and how well (and quickly) the vendor was able to incorporate and apply those lessons. Also ask about communication—as the relationship went on, did the nature and frequency of communication deviate from what the vendor had initially committed to at the beginning of the relationship (or project)?

**Question #3**: Once we select a vendor, how will we manage the vendor, and our relationship with the vendor?

- If possible, start out with a pilot program and see how it unfolds before devoting all necessary resources to the endeavor.

- Set clear and reasonable expectations (SMART performance management objectives—specific, measurable, action-oriented, realistic, and timebound—work well with vendors, as well. See Chapter 5).

- Observe, monitor, measure, and evaluate actual performance.

- Give the vendor constructive and positive feedback (BASIC—behavioral, as soon as possible, specific, interactive and consistent—see Chapter 5).

- As appropriate and possible, coach the vendor.

- As appropriate and possible, incorporate upside potential and downside risk into your negotiated agreements with vendors.

**EXAM ALERT**

Other outsourcing related terms with which you should familiarize yourself before taking the PHR exam are

- Request for proposal (RFP) (see Chapter 2)
- Third party vendor
HR Technology Concerns/Opportunities

Technology touches indirectly or perhaps quite directly all dimensions of the human resource function and profession. The speed with which this transformational impact has taken place has increased exponentially, and will likely continue to do so into the foreseeable future.

Many organizations both small and large now use a human resource information system (HRIS) to better manage HR-related data. An HRIS is an integrated computer-based system that collects, processes, analysis, stores, maintains, and retrieves information relating to all dimensions of the HR function.

EXAM ALERT

Before taking the PHR exam, familiarize yourself with the various ways in which an HRIS can support each of the various functional areas of HR.

HRISs have redefined, in many ways, how HR professionals perform their jobs. When utilized to its fullest extent, an HRIS can even help HR professionals move from the “then” end of the spectrum to the “now” end of the spectrum (see this chapter’s section titled “HR As It Was, and HR As It Is (or Can Be”). This is possible because an HRIS can help to free us from some of HR’s required, albeit mundane, administrative responsibilities, and thus can afford us time that we may be able to use to address more strategic issues.

It is not enough, however, for an HRIS to make our lives easier. Instead, we must ensure that the HRIS we choose will truly address business needs, not just HR-specific concerns. By this, for example, we mean that an HRIS must be a tool that can be used to support initiatives that contribute to attainment of overall organizational objectives. For instance, an HRIS should provide us with information that will ultimately facilitate and support

- Increasing overall employee productivity
- Identifying and rewarding top performers
- Investing in ongoing employee development
- Placing the right people in the right jobs at the right times
- Ensuring readiness to identify and appropriately respond to changing business strategies
The Evolving Role of HR

Changes on the Horizon—and How They May Impact HR

In many ways, HR trends are best identified by looking for business/organizational, industry, and societal trends. As a microcosm of the outside world, organizations are directly impacted by what happens in the external environment. It logically follows that since HR exists to support the attainment of organizational objectives, it is impossible—or at least extremely ill-advised—for us to isolate ourselves.

NOTE

Keep your finger on the pulse of the world around you, and the world at large. Workplaces can change almost instantaneously, and trends can develop almost as quickly.

One devastatingly illustrative example of this can be found in the aftermath of Hurricane Katrina. In 2004, many of us gathered for the national SHRM conference at the New Orleans conference center to learn, to network, to groove to the music of the Doobie Brothers, and to be moved and inspired by the now stilled—but never silenced—voice of Christopher Reeve. Slightly more than one year later, that same building in which we congregated was literally overflowing with individuals displaced from their jobs, their homes, their loved ones, and nearly every other recognizable dimension of their lives. Hurricane Katrina and its aftermath thrust many concerns to the forefront—issues that may not have been on everyone’s radar screen just a few weeks earlier.

Here are just a few of the trends that all HR professionals should monitor and revisit on a regular basis:

- Globalization
- Technology
- Safety and security
- Terrorism
- Aging workforce
- Multi-generational workplaces
- Work/life balance
- Changing technology
- Contingent workforce
Strategic Planning

Strategic planning is a step-by-step process through which organizations engage in two types of activities. Specifically, the organization

1. Identifies where it wants to be and what it wants to accomplish long-term (often 3–5 years).
2. Begins to map out how its vision and mission for those years will be attained.

In an oversimplified sense, strategic planning is the process of looking into the future, painting a picture of where we want to be and what we want to achieve in that future, and ascertaining how we will get there. It is a type of “extreme proactivity” rather than reactivity…of planning for the future rather than simply responding to it as it unfolds.

There are a number of compelling reasons for organizations to engage in a strategic planning process, just a few of which are

- By methodically looking towards the future, the organization creates an opportunity to proactively shape and influence its own future.
- The organization will develop a clearer awareness of how it is positioned externally, and how it “measures up” internally.
- It either creates or reaffirms the overall vision, mission, and values of the organization, and refocuses attention on how to bring them to life.
- It engages individuals throughout the organization in a meaningful and effective initiative.

Strategic Planning—A Four-Phase Process

Many theorists describe and define the strategic planning process in different ways, and as containing different steps and components. The following is one way of looking at the strategic planning process.

Phase 1: Establish a Foundation for the Strategy

To be effective, the strategic planning process must be grounded in the organization’s mission, vision, and values.

- **Vision:** An organization’s vision is a brief yet comprehensive descriptive and inspirational statement that articulates where the organization wants to be and what it wants to become in the future. The vision should resonate in the hearts, minds, and day-to-day endeavors of the organization’s employees. It should give those employees an
awareness that they have a meaningful opportunity to be part of something bigger than themselves. It must motivate them to aspire to the legacy that the vision can create and that it ultimately can leave behind.

▶ **Mission:** An organization’s mission statement articulates, in essence, its reason for being. It may speak to the nature of the organization’s business or purpose, its customers, and sometimes even its employees and its role in the community. A mission statement should be broad (but not overly generalized), brief, clear, unambiguous, and designed to last for “the long haul.” The goals of an organization must be based on the mission, so the mission is therefore far bigger than any goal—and thus must be must be able to withstand the test of time.

▶ **Values:** Values are the beliefs on which the organization has been built. They are the tenets that shape and guide strategic and day-to-day decision making, as well as the behaviors that are exhibited in the organization. Organizations identify values, in part, as a way to clearly guide those decisions and behaviors. Values are often represented in terms and principles such as integrity, honesty, respect, and so on.

**Phase 2: Develop the Strategic Plan**
Formulating a strategy on the basis of deliberately crafted statements that articulate the mission and values of the organization is critical, but it’s only the first step. The next step is to actually develop the strategic plan.

There are several key components to the development phase of the strategic plan.

**SWOT Analysis (Strengths, Weaknesses, Opportunities, and Threats)**
A SWOT analysis is conducted to ascertain the strengths and weaknesses that are inherent to an organization, as well as the opportunities and threats that it faces from external forces. Though it sounds relatively simple and straightforward, the process of conducting a SWOT analysis can become challenging, in part because it is often difficult for organizations—as it is for people—to see themselves objectively.

When examining “strengths” and “weaknesses,” it is necessary for analysis to be directed inward. This clear and objective assessment of the organization would ascertain the resources of the organization, including, but not necessarily limited to

▶ Human
▶ Financial
▶ Technological
▶ Capital
▶ Brand image
Opportunities and threats, conversely, look outward at factors such as competition, economic trends, customer needs and wants, and legislative or regulatory activity. This process, known as environmental scanning, is explored more thoroughly in “Environmental Scanning—An External Perspective,” later in this chapter.

**EXAM ALERT**

Familiarize yourself with SWOT—what it stands for and what it consists of. SWOT analysis is particularly critical to our development as strategic organizational partners, and thus is likely to appear on the PHR exam.

**Generate Strategic Objectives**

Once the SWOT analysis is completed, the outputs of that analysis can and should be scrutinized and, to the degree possible, addressed. Once that process has been completed—or at least has been begun—it’s time to begin generating ideas that will eventually grow, develop, and be cultivated until they take the shape of organizational objectives.

These organizational objectives must be translated into specific strategies that enable each department, division, or other organizational unit to contribute directly to the attainment of the organization’s overall objectives. In order for this to happen, a top-down/bottom-up approach similar to that described in the performance management process must be implemented throughout the organization (see Chapter 5). To oversimplify the process, like any pyramidal structure—and even like Maslow’s hierarchy of needs (see Chapter 2)—goals at the “lower,” more functional levels of the organization must be attained in support of the more overarching objectives of the organization. Keep this process building and you’ll be well on your way to bringing the vision, mission, and values of the organization to life in a highly tangible and visible manner.

**Phase 3: Implement the Strategic Plan**

Similar to Fayol’s “directing” stage, the implementation phase is, once again, where “the rubber meets the road.” Strategies become tactics and tactics become operationalized. Management functions—from planning through controlling—are used to make the strategies a part of the day-to-day fabric and functioning of the organization. Since, at this level, we have also reached the point at which individuals will have a very real, albeit somewhat indirect, impact on whether the organization’s objectives are attained, performance management principles become critical, as well (see Chapter 5).

Three factors that are critical to successfully implementing any strategic plan are commitment, credibility, and communication.
Commitment
It is absolutely critical to secure the support and commitment of leaders at all levels of the organization—particularly the upper levels—before even entertaining the idea of creating (let alone implementing) a strategic plan. This commitment can and should encompass everything from seeing the strategic process through to its conclusion, to striving to achieve the goals and implementing the changes that are generated through this process.

In short, strategic plans that sit on a shelf are useless. Talking the talk is not enough. Walking the walk is mandatory. Without commitment, a strategic plan is not only useless—it might even do more harm than good.

Credibility
Credibility is created and sustained through representative participation from all levels of the organization, through a commitment to follow through on every step of the process (rather than “short cutting” the process), and through clear, complete, and appropriate documentation of the process.

Phase 4: Evaluate the Plan, Process, and Performance
Evaluating how well a strategic plan was envisioned, designed, and implemented is an involved process, as any evaluative process is. In Chapter 5, we provide a more in depth discussion of any evaluative process as explored through ADDIE. Revisit the “E” in ADDIE, and also seek other sources and ideas for evaluating a plan, the process for developing that plan, and the overall performance against that plan.

Perhaps most importantly, be prepared to incorporate changes, insights, and revisions. Holding on to a flawed design or an ineffective implementation process is like “spending good money after bad.” In an organization, the “currency” in question may be your own reputation and credibility, so be prepared to flex.

REVIEW BREAK
Strategic planning helps the organization look towards the future, and to begin to shape how it will position itself for that future.

One element of strategic planning that was mentioned in the last section was “external scanning.” Let’s take a closer look at that particular component.
Environmental Scanning—An External Perspective

Environmental scanning is the process through which organizations maintain awareness of the opportunities and threats presented by the surroundings—both macro and micro—within which they operate.

For information that is obtained through an environmental scan to be truly valuable, leaders within the organization must use the data that is collected to modify—as appropriate—organizational objectives or strategies. The ability to demonstrate organizational agility in response to environmental information is essential; the willingness to act upon that information is perhaps even more important.

Some organizations conduct environmental scans on an ad hoc basis, often in response to crises or other unexpected events. Other organizations plan to conduct environmental scans on a more regular basis. Still other organizations choose to conduct scanning on a continuous basis—always collecting, processing, and analyzing data. While there is no one right answer for every organization, in today’s highly turbulent (and sometimes even volatile) business and organizational environments, it may be prudent to consider conducting environmental scanning more frequently, as opposed to less frequently.

External Trends—Things to Keep an Eye On

Organizations need to monitor trends of a wide and varying nature, including, but in no way limited to

- Economic trends
- Competitive trends
- Political trends
- Global trends
- Business trends
- Industry trends
- Employment trends
- Technological trends
- Demographic trends
As we’ve reiterated numerous times, in order to be effective in our profession, we have to be businesspeople—not just HR professionals. Our profession is our craft, our skill. We need to be prepared to knowledgeably practice that craft within the organizations we support. In order to do so, one of the many things we need to understand is how organizations are structured.

As we begin to take a look at how organizations are functionally organized, let’s go back and revisit Henri Fayol. Fayol identified six functional groups within organizations, and suggested that all organizational activities can fit into one of those six functional areas:

- Technical activities
- Commercial activities: sales and marketing
- Financial activities
- Security activities
- Accounting activities
- Managerial activities

Despite the ongoing validity of Fayol’s theories, a few things have changed since Fayol’s time. One is the role of human resources in the organization, which at first glance is not well-reflected in these six areas. Another is information technology, non-existent in the early twentieth century when Fayol set forth his ideas. Something that can be said to hold true for both of these areas is that while each is its own independent function, each also supports and reinforces the efforts of every other area. This is important, in and of itself, since it reinforces the idea that Fayol’s areas—while illustrative—are not necessarily as clearly dichotomized as they were when Fayol originally set forth his ideas.

What HR Professionals Need to Know About the Organizations They Support

As HR professionals, there is specific business-related information we should know about the various structural elements of organizations. While any of these items could conceivably be on
the PHR exam, discussing them goes beyond the scope of (and the page allocation for) this book. What we will do, then, is to set forth the concepts that are important for you to know and encourage you (in the strongest possible terms) to seek out, familiarize yourself with, learn, and (when appropriate) memorize facts, information, and formulas relating to the following:

- Technical activities/operations:
  - Capacity
  - Standards
  - Scheduling
  - Inventory
  - Control

- Commercial Activities—Sales and Marketing
  - The 4 Ps:
    - Product
    - Place
    - Price
    - Promotion

- Finance and Accounting Activities
  - Budgeting:
    - Incremental budgeting
    - Formula budgeting
    - Zero-based budgeting
    - Activity based budgeting
  - Assets
  - Liability
  - Equity
  - Accounts payable
  - Accounts receivable
  - Balance sheet
Balanced Scorecard

In the early 1990s, a new approach to strategic management was developed by Dr. Robert Kaplan and Dr. David Norton. Called the “balanced scorecard,” this new approach sought increased clarity and specificity by offering a clear and unequivocal prescription of what companies should measure in order to appropriately balance financial measures of success against non-financial measures of success.

In addition to being a measurement system, the balanced scorecard is also a management system. It turns strategic planning into a hands-on, reality driven, highly effective tool. It is important to note, however, that in creating and describing the balanced scorecard, Kaplan and Norton do not denounce the value of traditional financial measures. They do, however, share their premise that financial measures by themselves are not enough. Other perspectives must be incorporated in order to obtain a more accurate assessment of organizational performance.

The balanced scorecard embodies the following four perspectives:

- **Learning and Growth Perspective:** This perspective looks at employee training, as well as attitudes toward individual and corporate growth. It emphasizes the criticality of the knowledge worker, of people as the organization’s primary resource, and of the need for employees to continually grow and learn so as to be able to perform in a manner that will truly support the attainment of organizational goals.

- **Business Process Perspective:** This perspective scrutinizes key internal business processes so as to measure and ascertain how well those processes generate business results (such as products and services) that meet customer expectations. The business
process perspective ascertains performance levels through specific measures that are unique to each particular organization.

- **The Customer Perspective**: This perspective focuses on the criticality of customer focus and customer satisfaction—for *every* business and organization. Dissatisfied customers will eventually look to others who will meet their needs and expectations (often without ever sharing their reasons for doing so), which, if the numbers are large enough, can ultimately lead to organizational decline.

- **The Financial Perspective**: The financial perspective is the most traditional of Kaplan’s and Norton’s four perspectives. As previously indicated, financial considerations cannot be overlooked—they simply have to be supplemented with other meaningful organizational measures.

### Organizational Life Cycle

It’s particularly important for HR professionals to be familiar with organizational life cycles, since each phase will warrant different interventions. These phases or stages roughly approximate the phases of life experienced by humans—thereby further bolstering the perspective of the organization as a living, breathing entity.

The four stages of the lifecycle—though referred to slightly differently by different experts—are as follows:

- **Stage 1: Introduction (or “birth”).** Excitement and energy are high and cash flow may be low. Struggling start-ups often find themselves searching for solid footing—financially as well operationally. The core group of highly talented employees may focus fixedly on the founder as a source of direction, wisdom, and inspiration.

  In the introduction phase, employees may find themselves paid above market rates as a reflection of the founder’s desire to “lure” them on board. Alternatively, if money is in short supply, employees in the introduction phase may earn less cash compensation, and have those diminished earnings offset by other non-cash rewards (equity, intrinsic rewards, and so on).

  Depending upon the organization, HR may or may not have a presence in this phase of the organizational life cycle.

- **Stage 2: Development (or “growth”).** The organization grows in so many ways during the development phase—market share, facilities, equipment, revenues, and the number of employees are all likely to expand, to varying degrees. Along with that growth, the organization is likely to experience some “growing pains.”

  Though it may be a challenging process for some organizations—one that might meet with resistance—it is important that policies and procedures are formalized, as a way of fostering equity, compliance, and consistency.
Stage 3: Maturity. The growing pains have passed, and the culture is well established. In fact, it's important to ensure that certain elements of the culture do not become a bit too well-established. If this were to happen, an “entitlement mentality” could begin to emerge relative to pay, benefits, and/or other terms and conditions of employment. The organizational structure could evolve in a somewhat rigid manner, and resistance to OD and change initiatives could be high.

As is the case with us humans, organizations must resist the onset of inertia during these years of maturity lest they begin to atrophy. In concert with senior leadership, HR must play a key role in ensuring that this doesn’t happen.

Stage 4: Decline. If that inertia does set in, and if the atrophy does begin, decline is likely not far behind. There are many examples of the demise of long-standing organizations—retailers, in particular—“anchors” in our local and national communities that just weren’t able to “keep up with these changing times.” This can happen for any number of reasons such as salaries that are beyond what the organization can truly afford to pay, inflexible management, disengaged workers…the list goes on and on. In the wake of such decline, downsizing is likely to occur—either in pockets or across the organization as a whole.

Organizational Structure

Organizational structure refers to the various ways in which organizations can be designed to attain maximum levels of effectiveness and efficiency.

EXAM ALERT

As you prepare for the PHR exam, familiarize yourself with terms and concepts relating to organizational structure, including:

- Formalization, or formal authority
- Departmentalization (“departmentation”)
- Functional structure
- Division structure
- Matrix structure
- Chain of command
- Span of control
- Centralization
- Decentralization
- Simple structure organization model
- Bureaucratic organization model
- Virtual organization model
- Boundaryless organization model
- Mechanistic organizations
- Organic organizations
- Concentrated structures

In addition to representing information that is likely to show up somewhere on the PHR exam, this list also reflects information that you need to know and understand as an HR professional.
Measuring HR Effectiveness

HR’s effectiveness can no longer be measured according to non-specific, non-quantifiable, “soft” assessments. Instead HR must be able to unequivocally demonstrate the effectiveness with which it is executing its various roles and the degree to which it is meeting the needs of its clients.

This discussion leads us to a critical—and foundational—distinction between “effectiveness” and “efficiency.” Effectiveness is the degree to which carefully established (and, in our case, strategically aligned) goals are met. Efficiency, however, is a ratio of “outputs” to “inputs.” Another way of putting it is that efficiency is “doing things right,” while effectiveness is “doing the right things.”

It’s quite possible, therefore, that HR professionals can be effective without being efficient, or that they can be efficient without being effective. HR measures help to ensure that we will achieve efficiency as well as effectiveness.

There are a variety of HR measurement tools with which HR professionals need to be familiar.

HR Audits

The HR audit is the primary tool that many HR departments utilize in an effort to assess their own effectiveness and efficiency. Whether conducted in-house or by an outside vendor, HR audits have a number of purposes and produce a variety of results. Ultimately, however, the overall purpose is to ascertain how well the HR department—through all of its various functional areas—has aligned itself with the organization’s strategic objectives.

More specifically, HR audits will scrutinize and draw conclusions relative to

- The degree to which the organization complies with legal requirements
- The degree to which HR services are “user friendly”
- Grievances, their causes, and their impact
- The degree to which the organization complies with I-9 requirements
- The degree to which core competencies have been identified and defined
- The degree to which recruiting, selection, and retention processes reflect the organization’s core competencies
- The degree to which the organization achieves the ways it has chosen to position itself in the marketplace with respect to compensation and benefits (lead, lag, or match)
- The usefulness, appropriateness, and effectiveness of the employee handbook
The degree to which existing OD initiatives, including training programs, meet the company’s current and emerging human capital needs

The degree to which the organization’s safety program complies with federal, state, and local guidelines, and the degree to which it supports the company’s objectives.

Other HR Measurement Techniques

There are a variety of other measurement techniques with which HR professionals need to be familiar.

- Return on investment (ROI)
- Cost-benefit analysis
- Break-even analysis

EXAM ALERT

Be familiar with how these techniques can be used to generate meaningful HR measurement tools.

Research

Oftentimes, ascertaining the effectiveness and efficiency of HR practices is best accomplished through research. Research, in simple and decidedly “unacademic” terms, refers to finding answer to questions. In practice, research is a bit more involved.

Research can be either “primary” or “secondary.” Primary research involves collecting data first-hand, from the original source from which it emanates. Secondary research, conversely, involves collecting information “second-hand”—meaning not directly from the original source of the data. Secondary research assimilates data that has already been collected by others, and thus allows those secondary researchers to “stand on the shoulders” of those who conducted the primary research.

One type of primary research with which HR professionals need to be familiar is the scientific method. The scientific method is a systematic approach of testing hypotheses and using the knowledge generated to strengthen the degree to which HR can support the overall objectives of the organization.
Chapter 3: Strategic Management

The five steps in the scientific method are as follows:

1. Question, and observe. Formulate a question that addresses the problem you want to study and to solve.

2. Develop a hypothesis. A hypothesis is an “educated guess” about the outcomes that you think the research will produce.

3. Design a method: This is the step where you’ll outline the specific steps that you’ll take while conducting the experiment (your research).

4. Collect your data, which are the unexamined results of your research.

5. Analyze your data and reach a conclusion. State why you think the experiment (your research) turned out the way it did and ascertain whether the results supported your initial hypothesis.

Ethical Considerations for HR Professionals

All too frequently, headlines broadcast the latest local and national corporate scandals. Whether it's cover-ups, money laundering, insider trading, outright theft, corrupt practices, or conflicts of interest, there is no shortage of highly public and highly publicized documentation of ethical lapses within this nation’s corporations.

This phenomenon, however, is not limited to the private sector. The words just look a little different when we talk about ethical lapses in the public sector, where we might find ourselves reading headlines that talk about, for instance, “misappropriation of public funds.” In both school and governmental settings, there have been far too many examples of employees engaging in lavish and unauthorized spending, illegally financed personal trips, and corruption.

Ironically, approximately 90% of business schools offer ethics courses. In many curricula, those programs are not only offered—they are required. Yet, the headlines are still being printed. And in the organizations from which these headlines emanate, it is often HR professionals who find themselves in the middle of the fray.

What Is Ethics?

Ethics has been defined in a number of ways. One way to look at ethics is as a shared values-based system that serves to guide, channel, shape, and direct the behavior of individuals in organizations in an appropriate and productive direction.
Taking this definition one step further, business ethics could be defined as a shared values-based system designed to inculcate within the organization’s population a sense of how to conduct business properly.

**HR’s Role in Ethics**

HR must play a leadership role in establishing, encouraging, and ensuring ongoing ethical behavior within organizations. HR cannot, however, “own” ethics, or even own the organization’s ethical initiative. Like other programs that are viewed as “HR’s responsibility” (for instance, performance management, interviewing, and the like), ethics must be operationalized so that ownership and responsibility are truly shared by all.

In her article “The Ethical Enabler: Empowering Employees To Become Chief Ethics Officers,” Susan Alevas speaks of the process of promulgating and inculcating ethical values in the organization as follows:

> When it comes to combating ethical complacency, governing board members, chief executive officers and senior management need to become “ethical enablers,” the folks who encourage, support, and champion their employees to become “Chief Ethics Officers.” Moreover, there’s nothing stopping organizations from also bestowing their vendors and customers with the “Chief Ethics Officer” role.

**Why Ethics?**

Maintaining an ethical organization isn’t about “being nice” or even “being good.” Instead, there are a number of business-driven reasons for cultivating an ethical organization. In short, an erosion of ethics can lead to an erosion of the organization. Just a few of the reasons why it is critical to ensure that our organizations remain ethical are discussed in the following sections.

**To Prevent Erosion of Trust**

Successful organizations are based on a network of trust—trust that their members will “do the right thing.” When that doesn’t happen, or when negative actions are tolerated (or worse, encouraged), employees stop trusting. They may then begin to rationalize inappropriate and unethical behaviors. As the results of this erosion become more visible, employees with a strong sense of personal integrity may leave, and potential employees who do uphold high ethical standards might be difficult to attract.

**To Prevent Cynicism**

Some people describe skepticism as “healthy,” and perhaps some small measure of it is...unless it begins to degenerate into cynicism. The negativity that comes along with cynicism can
poison the culture of an organization. Those who cannot tolerate that atmosphere will likely leave—which makes the atmosphere of the remaining organization even more toxic.

To Prevent Dysfunctional Manifestations of Politics
Politics, to some degree, is inevitable within organizations. In unethical organizations, however, politics will likely become increasingly dysfunctional and perhaps even destructive.

To Prevent Aggression/Violence
The anger that can fester when employees perceive that the leaders of an organization have acted in an unjust or inequitable manner often must have an outlet somewhere. Sadly, even tragically, that outlet is not always productive, and can even be highly destructive, as we have all witnessed in well-publicized cases of workplace violence, such as the 1992 Royal Oak Post Office shooting. According to a letter written 10 years later by Charlie Withers, chief steward of the Royal Oak Post Office:

This tragedy was the result of a hostile work environment, created by postal management and condoned by those in higher positions within the postal service. This militaristic autocratic management style was allowed to go unchecked, even though the Royal Oak District was feeling the “backlash” in service to its patrons…. The workforce throughout the Royal Oak District was under attack by overzealous managers who used whatever tactics needed to disrupt their lives…. This same group of managers had been investigated in a GAO (Government Accounting Office) investigation done in Indianapolis for the same problems 3 years prior...and nothing was done!!

Aggression can also manifest itself through less violent—and thus perhaps less easily identifiable—forms, such as theft, lying, tampering or vandalism—all in an effort to “get even” with those in power who are treating them unfairly. Aggressive acts such as these have financial as well as non-financial costs to the organization that might exponentially increase if the organization permits or perpetuates an unethical culture.

Cultivating an Ethical Organization
One important element of creating an ethical culture comes from establishing an organizational code of ethics. That code, which ideally should have an introduction from the CEO, should reaffirm the organization’s commitment to the code. The code itself needs to start with the mission, vision, and values of the organization. Together, these three go a long way toward setting the framework for ethics. From there, an organization’s code of ethics needs to address myriad issues from the perspectives employees, customers, shareholders, suppliers, and the community at large.
The Code of Ethics: A Living Document
The process of writing a code of ethics is only the beginning. It cannot simply be written and forgotten. Instead, the code of ethics needs to have “life,” and it needs to have “teeth”—clear statements relative to how the code—along with and the policies that emanate from the code—will be implemented and upheld.

Once the code is established, individuals at all levels of the organization must be held to its standards. A single standard must apply to all within the organization. Nothing will erode a code of ethics faster than the revelation that it has been applied or enforced inconsistently. It is simply not possible to “overlook” certain ethical violations from a certain person while making an example of the ethical violations of others.

EXAM ALERT
SHRM has established its own code of ethics specifically for HR professionals. This is a likely topic for inclusion on the PHR exam, so review it beforehand.

Legislative Framework, Considerations, and Opportunities
At the introduction of this chapter, we referenced a familiar quotation: “Some people make things happen, some people watch things happen, and some people wonder what happened.” This is perhaps no more apparent than in our legislative process, created hundreds of years ago, yet perhaps more vibrant and vital now more than ever before.

As HR professionals, understanding the legislative process helps us to more effectively impact that process. It is both our right and our responsibility to do this. Why? Because the employment-related laws that are passed in our nation directly impact our profession, the organizations for which we work, and the way we perform our jobs (hint: think HIPAA, FMLA, and so forth).

How a Bill Becomes a Law
Some readers may recall the Schoolhouse Rock series from the ‘70s and ‘80s that explained—quite entertainingly—how a bill becomes a law. Although “I’m Just a Bill” may not grace our televisions anymore, the following 13-step process still accurately describes how laws are passed. It’s a process that is worth revisiting now, as we reaffirm our commitment to being strategic and effective business and organizational partners.

Although anyone can draft a bill, only a member of Congress can actually introduce legislation. In so doing, that member of Congress becomes the sponsor of the bill.
There are four basic types of legislation: bills, joint resolutions, concurrent resolutions, and simple resolutions.

**EXAM ALERT**

Familiarize yourself with the definitions of these four types of legislation, and the similarities and differences between them.

The legislative process officially begins when a bill or resolution is given a number (the number is preceded by “H.R.” if it is a House bill, and “S.” if it is a Senate bill). Once a number is assigned, the following steps will ensue:

1. **Referral to Committee**: Bills are usually referred to standing committees in the House or Senate according to carefully delineated rules of procedure.

2. **Committee Action**: One of three things can happen to a bill once it reaches a committee: It can be sent to a subcommittee, it can be considered by the committee as a whole, or it can be ignored (at which point the bill dies, or is killed, depending upon one’s point of view).

3. **Subcommittee Review**: Bills are often referred to subcommittee for study and hearings. Hearings provide the opportunity to put views of the executive branch, experts, other public officials, supporters, and opponents officially “on the record.” Testimony can be in person or submitted in writing.

4. **Mark Up**: When the hearings are completed, the subcommittee may meet to “mark up” the bill; that is, make changes and amendments prior to recommending the bill to the full committee. If a subcommittee votes not to report legislation to the full committee, the bill dies.

5. **Committee Action to Report a Bill**: After receiving a subcommittee’s report on a bill, the full committee has two choices: It can conduct further study and hearings, or it can vote on the subcommittee’s recommendations and any proposed amendments. The full committee then votes on its recommendation to the House or Senate. This procedure is called “ordering a bill reported.”

6. **Publication of a Written Report**: After a committee votes to have a bill reported, the chairman instructs staff to prepare a report on the bill. This report describes the intent and scope of the legislation, impact on existing laws and programs, position of the executive branch, and views of dissenting members.

7. **Scheduling Floor Action**: After a bill is reported back to the chamber where it originated, it is placed in chronological order on the calendar. In the House, there are several different legislative calendars, and the speaker and majority leader largely
109

Legislative Framework, Considerations, and Opportunities

determine if, when, and in what order bills come up. In the Senate there is only one legislative calendar.

8. **Debate**: When a bill reaches the floor of the House or Senate, there are rules or procedures governing the debate. These rules determine the conditions and amount of time that will be allocated for debate.

9. **Voting**: After the debate and the approval of any amendments, the bill is passed or defeated by the members voting.

10. **Referral to Other Chamber**: When a bill is passed by the House or the Senate, it is referred to the other chamber, where it usually follows the same process through committee and floor action. This chamber can choose from four courses of action: approve the bill as is, reject the bill, ignore the bill, or change the bill.

11. **Conference Committee Action**: If only minor changes are made to a bill by the other chamber, it is common for the legislation to go back to the first chamber for concurrence. However, when the actions of the other chamber significantly alter the bill, a conference committee is formed to reconcile the differences. If the conferees cannot reach agreement, the legislation dies. If agreement is reached, a conference report describing the committee members’ recommendations for changes is prepared. Both the House and the Senate must approve the conference report.

12. **Final Actions**: After the House and Senate have approved a bill in identical form, it is sent to the president. At this point, there are two ways in which the legislation can become law:

   - If the president approves of the legislation, he or she signs it and it becomes “the law of the land.”
   - If the president takes no action for 10 days while Congress is in session, the legislation automatically becomes law.

Alternatively, if the president opposes the bill, he or she can veto it; or, if he or she takes no action after the Congress has adjourned its second session, it is considered a “pocket veto” and the legislation dies.

13. **Overriding a Veto**: If the president vetoes a bill, Congress may attempt to override the veto. This requires a two-thirds roll call vote of the members who are present in sufficient numbers for a quorum.
Be Heard—Reach Out to Your Elected Officials

There are a variety of ways to reach out to the members of Congress and other elected officials who represent you.

Write (Early, But Not Too Often)

Morris K. Udall (1922–1998), a congressman from Arizona, composed “The Right to Write—Some Suggestions on Writing to Your Representative in Congress.” Although Udall retired from Congress in 1991 before the advent of the Internet as a popular method of day-to-day communication, his suggestions are as valid today as they were years ago:

- Address your correspondence properly (for instance, when writing to a member of Congress, address it to “The Honorable _____ _____”).
- Use the correct physical address.
- Identify the bill or issue you’re writing about, ideally using the bill number as well as the name by which it is popular known.
- Send letters in a timely manner, while there is still time for your member of Congress to consider your input.
- Communicate with those members of Congress who represent you.
- Be brief, and be legible. Our elected officials are busy, and receive a great deal of communication to sort through.
- Personal letters may have greater impact than form letters, or petitions.
- Be specific about why you hold your opinion, and about how the legislation would impact you.
- When possible, offer suggestions.
- If you have expertise in a particular area, say so—and then share it.
- Provide your elected officials with positive, as well as constructive, feedback.

Udall offers some basic “don’ts” as well

- Don’t threaten.
- Don’t promise.
- Don’t engage in name-calling.
- Speak for yourself, not for others for whom you claim to speak (unless you actually do).
- Don’t become a “pen pal.”
- Don’t demand commitment—especially before all the facts are in.
**Lobbying**

Lobbying is the process of reaching out to your elected officials to express your beliefs and opinions with the hope of influencing a governmental body.

### NOTE

Before you begin lobbying, do your homework. Know the subject matter and draft your message clearly and concisely. Be firm, be knowledgeable, and be confident. Know the issue, explain your concerns relative to the consequences of the issue, and suggest a specific course of action. In addition, consider coordinating your efforts with others who share a similar viewpoint.

**Personal Visits**

Consider meeting with your elected official, or perhaps with one of his or her staff members.

**Stay Informed**

Perhaps most importantly, stay up to date on the issues that can potentially impact the HR profession, the organization in which you work, or the ways in which you will carry out the role of HR. Affiliate with organizations—such as SHRM—that are committed to shaping the laws that impact our profession and our workplaces. Sign up to receive “e-alerts”—legislative updates from organizations who want you to stay informed. And don’t stop paying attention after a law is passed—court interpretations can also have a big impact on how you execute your role.
Chapter Summary

Functioning effectively requires a number of areas of knowledge and expertise, all of which could be grouped into three critical categories: knowing our business (organization), knowing our profession (craft), and knowing our customers. Though simply stated, much goes into mastering these three areas, if they are to be performed at a highly efficient and effective level.

This chapter addressed some of the specific areas of knowledge with which HR professionals need to become fluent. It is intended as a starting point, not an ending point. Strategic management is also an area that many HR professionals will more fully understand, appreciate, and excel at as they gain experience and expertise within their organization, as well as within their craft as they move toward the ranks of the SPHR.

Key Terms

- Strategic management
- Industrial relations
- Personnel
- Human resources
- Administrative HR functions
- Strategic HR functions
- Operational/tactical HR functions
- Henri Fayol
- Planning function
- Organizing function
- Coordinating function
- Directing function
- Controlling function
- Project management
- Initiating processes
- Planning processes
- Executing processes
- Controlling processes
- Closing processes
- Project manager
- Project sponsor
- Project charter
- Project team
- Project plan
- Project schedule
- Work breakdown structure (WBS)
- Gantt chart
- Program evaluation and review technique (CHART) charts
- Change management
- Outsourcing
- Offshoring
- Request for proposal (RFP) (see Chapter 2)
- Third party vendor
- HRIS
- Globalization
Chapter Summary

- Technology
- Safety and security
- Terrorism
- Aging workforce
- Multi-generational workplaces
- Work/life balance
- Changing technology—and not losing relations
- Contingent workforce
- Strategic planning
- Vision
- Mission
- Values
- SWOT analysis (strengths, weaknesses, opportunities, threats)
- Environmental scanning
- Capacity
- Standards
- Scheduling
- Inventory
- Control
- The 4 P's:
  - Product
  - Place
  - Price
  - Promotion
- Budgeting:
  - Incremental budgeting
  - Formula budgeting
- Zero-based budgeting
- Activity based budgeting
- Assets
- Liability
- Equity
- Accounts payable
- Accounts receivable
- Balance sheet
- Income statement
- Gross profit margin
- Statement of cash flows
- Financial ratios:
  - Business activity ratios
  - Profitability ratios
  - Debt ratios
- Liquidity
- Current ratio
- Acid test
- Gross profit margin
- Balanced scorecard
- Learning and growth perspective
- Business process perspective
- Customer perspective
- Financial perspective
- Organizational lifecycle
- Introduction/birth
- Development/growth
- Maturity
Apply Your Knowledge

This chapter focuses on issues relating to compensation and benefits. Complete the following review questions and exam questions as a way of reviewing and reinforcing the knowledge and skills you'll need to perform your responsibilities as an HR professional, and to increase the likelihood that you will pass the PHR examination.

Review Questions

1. Describe the managerial function “planning.”
2. Describe what is meant by the “mission” of an organization.
3. What is a code of ethics, and why is it important to an organization?
4. Describe the “introduction” phase of the organizational life cycle.

5. Describe the controlling processes of project management.

**Exam Questions**

1. Which of the following is *not* a category of processes within project management?
   - A. Planning
   - B. Executing
   - C. Coordinating
   - D. Controlling

2. Which of the following statements about change is *most* true?
   - A. HR professionals must proactively seek to understand change and what causes change.
   - B. HR must serve as an employee advocate during times of change.
   - C. HR must ensure that the pace of change does not exceed the organization’s ability to adapt to it.
   - D. HR must serve as a management advocate during times of change.

3. Which of the following statements about values is *not* true?
   - A. Values are often expressed through terms such as “communication” and “decision making.”
   - B. Values impact behaviors that are exhibited on a day-to-day basis in the workplace.
   - C. Values are the beliefs on which an organization is built.
   - D. Values shape and guide strategic—as well as day-to-day—decision making.

4. The first step in the scientific method is
   - A. Develop a hypothesis.
   - B. Question and observe.
   - C. Scan existing secondary research.
   - D. Conduct a needs analysis.
5. The primary purpose of an HR audit is
   ○ A. To ascertain how well the HR department—through all of its various functional areas—has aligned itself with the organization’s strategic objectives.
   ○ B. To ascertain the degree to which the HR department has complied with all legal requirements, and the potential financial exposure associated with existing levels of non-compliance.
   ○ C. To ascertain the performance of the HR department with respect to the nature and quality of the consultative services it provides to its internal clients.
   ○ D. To ascertain the degree to which the HR department is poised to meet the current, future, and emerging human capital and talent needs of the organization.

6. Which of the following is not one of the four perspectives of the balanced scorecard?
   ○ A. The financial perspective
   ○ B. The external perspective
   ○ C. The learning and growth perspective
   ○ D. The business process perspective

7. Effectiveness can be defined as
   ○ A. A ratio of “inputs” to “outputs”
   ○ B. The degree to which goals are met
   ○ C. The degree to which goals reflect desired outputs
   ○ D. A ratio of “outputs” to “inputs”

8. Which of the following is not specifically recognized as being critically important to successfully implementing any strategic plan?
   ○ A. Commitment
   ○ B. Credibility
   ○ C. Collaboration
   ○ D. Communication
Apply Your Knowledge

9. Project managers seek to accomplish their objectives by gaining control over five factors, one of which is:
   - A. Regulatory compliance
   - B. Risk
   - C. Reward structures
   - D. Staffing

10. All of the following are compelling reasons for organizations to engage in a strategic planning process except:
   - A. Developing a clearer awareness of how the organization “measures up” internally and externally
   - B. Engaging individuals throughout the organization in a meaningful organizational effort
   - C. Enabling employees to prepare themselves to react positively and constructively to future events
   - D. Creating—or reaffirming—the vision, mission, and values of the organization

Answers to Review Questions

1. Planning, the first of five managerial functions, lays the groundwork for how managers will work toward accomplishing the organization’s goals. Through planning, managers decide what needs to get done, when it needs to get done, who will do it, how it will get done, and where it will be done. In the absence of planning, the organization—and the people in it—will lack direction, and perhaps even just “coast along.”

2. An organization’s mission statement articulates, in essence, its reason for being. It may speak to the nature of the organization’s business or purpose, its customers, and sometimes even its employees and its role in the community. A mission statement should be broad (but not overly generalized), brief, clear, unambiguous, and designed to last for “the long haul.” Since the goals of an organization must be based on the mission, the mission is far bigger than any goal—and thus must be able to withstand the test of time.

3. Establishing an organizational code of ethics is one important part of creating an ethical culture. The ethics code should begin with an introduction from the CEO that reaffirms the organization’s commitment to the code. The code itself needs to start with the mission, vision, and values of the organization. From there, an organization’s code of ethics needs to address myriad issues from the varying perspectives of employees, customers, shareholders, suppliers, and the community at large.
4. “Introduction” (or “birth”) is the first step in the employee lifecycle. During this phase, excitement and energy run high, and cash flow may be quite tight. Struggling start-ups often find themselves searching for solid footing—financially as well operationally. The core group of highly talented employees who are part of a start-up operations may focus fixedly on the founder as a source of direction, wisdom, and inspiration.

In the introduction phase, employees may find themselves paid above market rates as a reflection of the founder’s desire to “entice” them to come on board. Alternatively, if money is in short supply, during the introduction phase of the lifecycle employees may earn less cash compensation and have those diminished earnings offset by other non-cash rewards (equity, intrinsic rewards, and so on).

Depending upon the organization, HR may or may not have a formal presence in this phase of the organizational life cycle.

5. Controlling processes include managing the scope of the project and making sure the project stay in line with the original objectives. A significant degree of follow-up is required to carry out controlling processes.

**Answers to Exam Questions**

1. **Answer C is the best choice.** “Coordinating” is a management function, not a project management process. Answers A, B, and D are not the best choices, since they each identify a project management process (those processes include initiation, planning, executing, controlling, and closing).

2. **Answer A is the best choice.** HR professionals must seek to understand change and what causes change—ideally before change descends upon the organization. Change, itself, brings considerable challenges of its own—and often does not afford HR professionals with the luxury of time to “study” change theory or process (those are lessons that HR professionals need to undertake in advance). Answer C is not the best choice, since HR’s role is not to regulate the pace of change. At times, the pace of change may not be controllable. At other times, the pace of change may, in fact, be controllable, but the organization’s leaders may decide that it is not appropriate or advisable to slow the pace of change. Answers B and D are not the best choices; HR must serve as a “truth advocate” during times of change (in fact, at all times), not as dedicated advocates of management or employees.

3. **Answer A is the best choice.** Words like “communication” and “decision making” are terms that are often used to describe competencies (also called success factors), not values. Answers B, C, and D are not the best choices, since each makes a true statement about values.
4. **Answer B is the best choice.** “Question and observe” is, in fact, the first step in the scientific method. Answer A is not the best choice, since developing a hypothesis is the second step in the scientific method. Answer C is not the best choice, since the scientific method is a form of primary research, and is therefore separate and distinct from secondary research. Answer D is not the best choice, since “conducting a needs analysis and assessment” is the first step in the ADDIE process, not the scientific method.

5. **Answer A is the best choice.** The primary and overarching purpose of an HR audit is to ascertain how well the HR department has aligned itself with the organization’s strategic objectives. Answers B, C, and D are not the best responses; while each identifies a possible component of an HR audit, none of these is broad enough to encompass the overarching purpose of an HR audit.

6. **Answer B is the best choice.** Though various elements of the balanced scorecard take external factors into consideration, the “external perspective” is not one of the four specific perspectives. Answers A, C, and D are not the best choices, since they each identify one of the perspectives of the balanced scorecard.

7. **Answer B is the best choice.** Effectiveness is a measure of the degree to which goals—carefully established goals—are met.

8. **Answer C is the best choice.** While collaboration is an important element of the strategic planning process, it is not recognized as on one of the “three Cs”—the most important keys to successful strategic planning. Those “three Cs” are commitment (answer A), credibility (answer B), and communication (answer D).

9. **Answer B is the best choice.** The five factors over which project managers seek to establish control are time, cost, quality, scope, and risk (answer B is “risk”). Project managers do not specifically seek to establish control over regulatory compliance (answer A), reward structures (answer C), or staffing (answer D), although all of those elements will be considerations as they work to attain their objectives.

10. **Answer D is the best choice.** The focus of strategic planning is on “proactivity,” not “reactivity.” Therefore, through strategic planning, the organization creates an opportunity for individuals at all levels of the organization to proactively shape and influence the future, rather than just react to it. Answers A, B, and C are not the best responses, since each one articulates a compelling reason to engage in strategic planning.
Suggested Readings and Resources


*The HR Value Proposition* (hardcover) by Dave Ulrich, Wayne Brockbank, David Ulrich

*Human Resource Champions* (hardcover) by David Ulrich

“The Ethical Enabler: Empowering Employees To Become Chief Ethics Officers.” An article by Susan F. Alevas, Esq., President, Alevas Consulting Group, Inc.

*Organizational Architecture: Designs for Changing Organizations* (Jossey Bass Business and Management Series) (hardcover), by David A. Nadler, Marc S. Gerstein, Robert B. Shaw

*Know Your Responsibilities: Ethics & Fiduciary Duties for HR* (HR Executive Special Reports) (hardcover), by Anne H. Williams

*The HR Scorecard: Linking People, Strategy, and Performance* (hardcover), by Brian E. Becker, Mark A. Huselid, Dave Ulrich

*Get Them On Your Side* (hardcover), by Samuel B. Bacharach