HR Leaders Monthly

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Editor's Note

by Brian Kropp and Lauren Smith

As they plan for 2022, organizations around the world are still contending with a highly uncertain business environment, primarily due to the continuing impact of the COVID-19 pandemic. Many of the pressures they face — such as tight and unpredictable labor markets, cost constraints and fast-changing business needs — bear directly on HR leaders' strategic planning. The need for alignment between HR and business strategies has never been greater.

At the same time, HR leaders want to demonstrate the value of their function and make sure HR has a seat at the table when leadership makes decisions about the organization's overall strategic priorities. HR functions have a compelling story to tell about their strategic impact, and more data with which to illustrate that story, but many HR leaders still struggle to communicate it effectively to the board and the C-suite. Yet precisely because HR's impact matters so much in the current environment, it is important to have that impact recognized.

This issue of HR Leaders Monthly is dedicated to the strategic planning process within HR, and to HR's role in business strategy more broadly. Our authors explore the trends affecting workforce planning and recruiting in the current environment, the impact of cost optimization on talent outcomes and the importance of having a strategy for the future of work.

We also hear directly from expert HR leaders about the innovations they are making and from Gartner advisors about the biggest challenges our clients are facing today. Whatever stage they are at in their journey, HR leaders can use these insights to make their strategic planning processes more aligned, agile and responsive to change.

How Cost Management Can Improve Talent and Business Outcomes

By Matthias Graf

By applying three mitigation tactics systematically during cost management initiatives, HR leaders can save costs and drive efficiencies as well as improve critical talent and business outcomes, such as employee experience or organizational innovation.

The Hidden Cost of Cost Management

As organizations emerge from the turbulence of the recent past, many business leaders must preserve cost efficiencies while restoring investments that support transformational growth. With talent being at the heart of every transformation, this is even more true for HR leaders.

Focusing too narrowly on cost efficiencies, however, can have severe consequences for people and organizations. Our data shows that

individual cost management initiatives can lead to an aggregated decrease of as much as 8.9% per individual in critical talent outcomes such as employee performance, engagement and experience (see Figure 1). Given that companies invest as much as $4,000 per employee to provide a positive employee experience, the hidden costs of cost management initiatives can significantly outpace any desired savings and have damaging implications.

Not All Cost Management Initiatives Are Bad

The cost management initiatives with especially negative consequences are those that reduce investments in people (such as layoffs), investments in the work environment (such as cuts to facilities, equipment or internal services) and opportunities for development. However, not all cost management initiatives have to focus on cost savings. Organizations are better off defining and building an invest-to-win strategy that shifts the cost management focus from cost savings and performance optimization to investments for growth.

> Organizations are better off defining and building an invest-to-win strategy that shifts the cost management focus from cost savings and performance optimization to investments for growth.

Focusing on growth acknowledges the simple truth that all leaders need to manage costs and value on multiple fronts — from tactical cuts through structured optimization to the creation of business value. Our research demonstrates that cost management initiatives that optimize the productivity and efficiency of people and the organization, such as reengineering product offerings, can improve critical talent and business outcomes.

In general, the combination of informed cost savings and smart investments for growth

Figure 1. The Impact of Cost Management on Talent and Business Outcomes

	Talent Outcomes			Business Outcomes		
	Performance	Engagement	Experience	Revenue	Profitability	Innovation
Spending Cuts	▲ 0.1%	▲ 2.0%	▼ 1.6%	▼ 1.4%	▼ 1.5%	▼ 2.1%
Organizational Restructuring	▲ 3.4%	▲ 1.1%	▲ 2.2%	▼ 0.4%	▼ 0.5%	▲ 0.6%
Workforce Reduction	▼ 1.6%	▼ 6.1%	▼ 2.8%	▼ 0.1%	▼ 0.6%	▼ 0.6%
Compensation and Benefits Cuts	▼ 5.5%	▼ 8.9%	▼ 8.4%	▼ 0.9%	▼ 1.4%	▼ 0.3%
Product and Service Reduction	▲ 3.2%	▲ 0.6%	▲ 3.0%	—	▲ 1.1%	▲ 1.9%

n = 4,992 managers and employees

Source: 2020 Gartner Cost Management and Impact Study

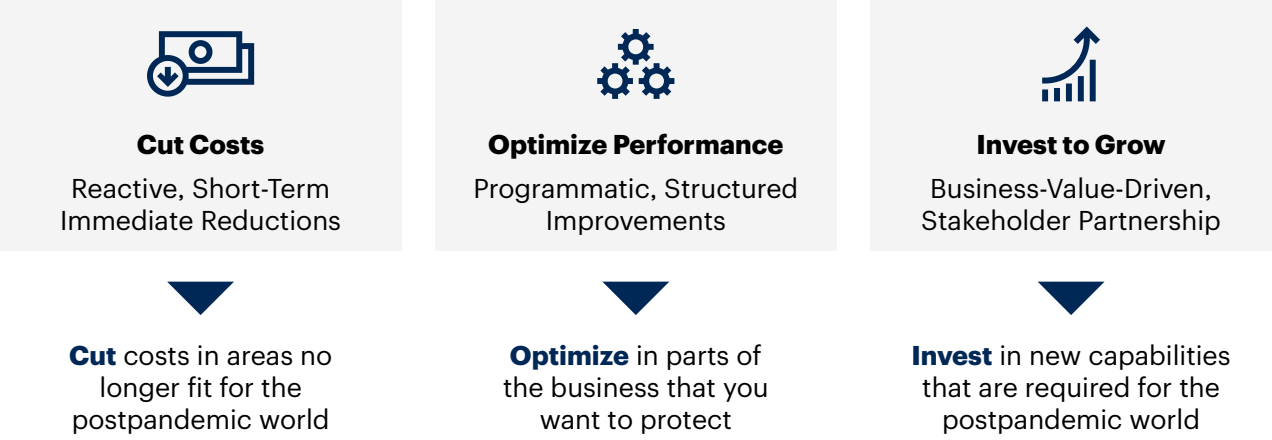
Note: These are aggregated results based on individual measures in each of the above areas. Results are calculated using multivariate regression models, controlling for variances in employee and organizational demographics such as organization type, industry and function.

and digitalization can help drive employee performance, engagement and experience while helping the company achieve revenue, productivity or innovation goals (see Figure 2).

Drive Talent and Business Outcomes Systematically

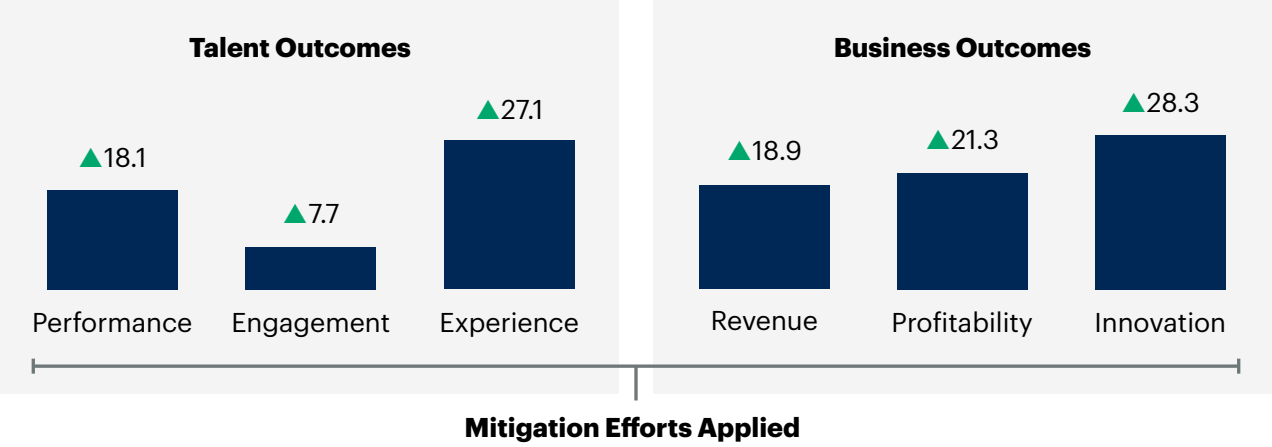
Besides selecting and combining the "right" cost management measures to help drive value, organizations can actively mitigate the adverse consequences of individual measures, primarily by having people at all levels participate in the planning and implementation. The combined application of mitigation efforts can ease the negative implications of cost management. In addition, it can actually improve variables such as employee experience or organizational innovation by as much as 28 percentage points compared to no mitigation efforts (see Figure 3).

Figure 2. The Three Disciplines of Strategic Cost Optimization



Source: Gartner

Figure 3. Link Between Mitigation Efforts and Talent and Business Outcomes
Maximum Percentage Point Change



n = 4,992 managers and employees

Source: 2020 Gartner Cost Management and Impact Study

Note: These are aggregated results based on individual measures in each of the above areas. Results are calculated using multivariate regression models, controlling for variances in employee and organizational demographics such as organization type, industry and function.

Involvement in Decision Making

Our analysts found that most executives believe they are including managers and employees in creating cost management strategies, yet few employees think they play a role in setting strategy. Many cost management activities directly impact employees, so it can be awkward to involve them from the beginning. It can also be challenging to include the right people at the right time and in the right way.

A common mistake organizations make when involving employees in decision making is to have leaders set the strategy and solicit employee feedback only after a decision has been made. This typically means there are not enough people at the decision-making table, and employee involvement comes too late and fails to influence decisions.

Moreover, this type of "involvement" does not adequately engage employees. Instead, leaders can strike the right balance of employee involvement through co-creation, engaging people as active participants in making and shaping cost management decisions.

Co-creating cost management strategies help organizations include the right people at the right time in the right way.

The three hallmarks of co-creation are: (1) selectively including the most relevant employees, (2) communicating options for the future before choosing a certain path, and (3) scaling employee involvement based on knowledge and expertise.

Key actions for HR leaders:

- Train business leaders on how and when they should include employees in decision making.
- Hold leaders accountable for how they make decisions, not just the results.
- Provide leaders with guidance on how to co-create strategy with their teams.

Participation in Implementation

At organizations, leaders primarily own the implementation planning for cost management activities in an attempt to create consistent and fast implementation. Rather than creating consistency, however, top-down implementation often limits or prevents success. Leaders often cannot see how a change really affects employees, and their plans can lack relevance to people and create adverse consequences.

A common mistake organizations make when involving employees in decision making is to have leaders set the strategy and solicit employee feedback only after a decision has been made.

Organizations should instead have employees actively participate in and co-own the implementation planning to move it closer to where work actually gets done. Employee-co-owned implementation plans allow people at all levels to help define success metrics, activities, obstacles and other change elements.

However, organizations should still put guardrails in place to ensure employees' implementation plans align with the organizational goal of a particular cost management measure.

Key actions for HR leaders:

- Explain to leaders the reasoning behind employee-owned implementation planning.
- Help leaders understand and structure their role in the implementation process.
- Train leaders on how they can provide consultation and support.

Open and Timely Communication

According to our analysts, typical top-down communication strategies before and during cost management activities rely on three core principles:

- Repeating messages frequently and through various channels
- Downplaying any negative implications of cost management initiatives
- Delivering clear and consistent messages to all employee segments and target groups

However, our data shows that frequent, positive, scripted communication only nominally improves the success of any change initiative. Instead of telling employees what to do and how to feel about a change, organizations should engage them in conversations. This communication should:

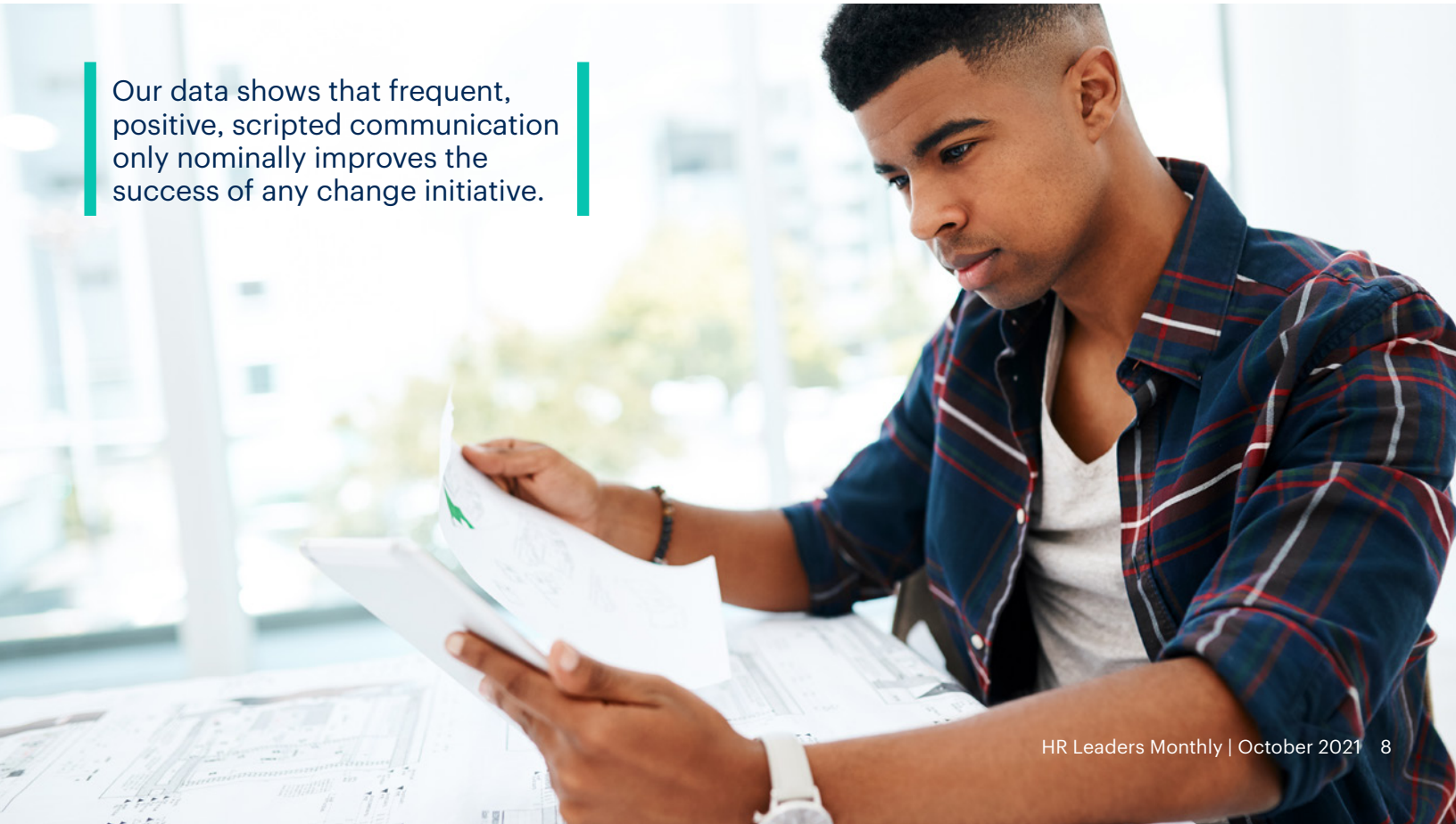
- Support peer-to-peer interactions and encourage employees to share their perspective with peers.
- Address negative employee sentiment openly, and allow employees to share their reactions.
- Facilitate a continuous dialogue between employees and the leaders helping to create action plans.

Effective communication can increase the success of cost management initiatives because it improves employees' understanding and sense of control and reduces emotions such as anger and anxiety.

Key actions for HR leaders:

- Reduce the amount of top-down communication about cost management initiatives.
- Provide opportunities for managers and employees to discuss sentiment.
- Train leaders to have two-way conversations with employees.

Our data shows that frequent, positive, scripted communication only nominally improves the success of any change initiative.



Conclusion

While many cost management initiatives can adversely affect people and organizations, these consequences are not inevitable. Most employees are willing and able to participate in the planning and implementing of initiatives that do reduce the organization's investments in people or the work environment.

HR leaders actually can improve critical talent and business outcomes and achieve positive results from cost management initiatives if they leverage the workforce to co-create initiatives that support transformational growth.

This research uses findings from two surveys conducted in 2019 and 2020 using vendor-managed panels of 3,150 and 4,990 managers and employees, respectively. The 2019 Gartner Modern Employee Experience HR Leader and Employee Survey sought to identify challenges and find solutions that lead to effective outcomes of the modern employee experience. The 2020 Gartner Cost Management and Impact Survey sought to understand cost management initiatives' impact on talent outcomes and business performance.

Upcoming Virtual Events

Gartner regularly hosts virtual events across a variety of Human Resources topics. These webinars present an opportunity for you to gain insights from our research experts on making better decisions for your function and organization.

The Top 5 Priorities for HR Leaders in 2022

The 3 Strategies to Attract More Hourly Workers in an Unprecedented Shortage

The Future of Hybrid Work in Government: Key Hiring Strategies for HR Leaders

The 4-Step Approach to Implement an Agile Talent Management Strategy

Use Data-Driven Skills Insights to Drive Digital Talent Strategies

Navigate Your Budget Decisions for Revenue Growth

By Josie Xing

Organizations that balance workforce cost savings with targeted talent investments can outperform those that focus solely on cost reduction. For more effective budgeting, HR leaders should use methods that prioritize the HR services vital to protecting long-term growth capabilities.

Cost Savings and Investments Are Occurring in Parallel

As many organizations pursue massive changes with long-term effects, HR leaders face mandates to build a strategic, flexible function that achieves business and talent outcomes cost-effectively. In fact, the aim of achieving all these mandates cost-effectively is highly prevalent for most organizations in 2021. Nearly 60% of employees experienced cost-saving initiatives, such as reducing base pay, benefits and bonuses, in the first quarter of 2021.[1] But while difficult times call for difficult actions, 64.2% of

employees said their organizations had made at least one organizational investment after cost cutting (see Figure 1).

Despite an emphasis on cost cutting, most organizations have also reintroduced growth-focused investments such as improving employee benefits, hiring or rehiring employees, and increasing opportunities for internal mobility, learning and development.

Organizations Thrived With the Right Budget Plan

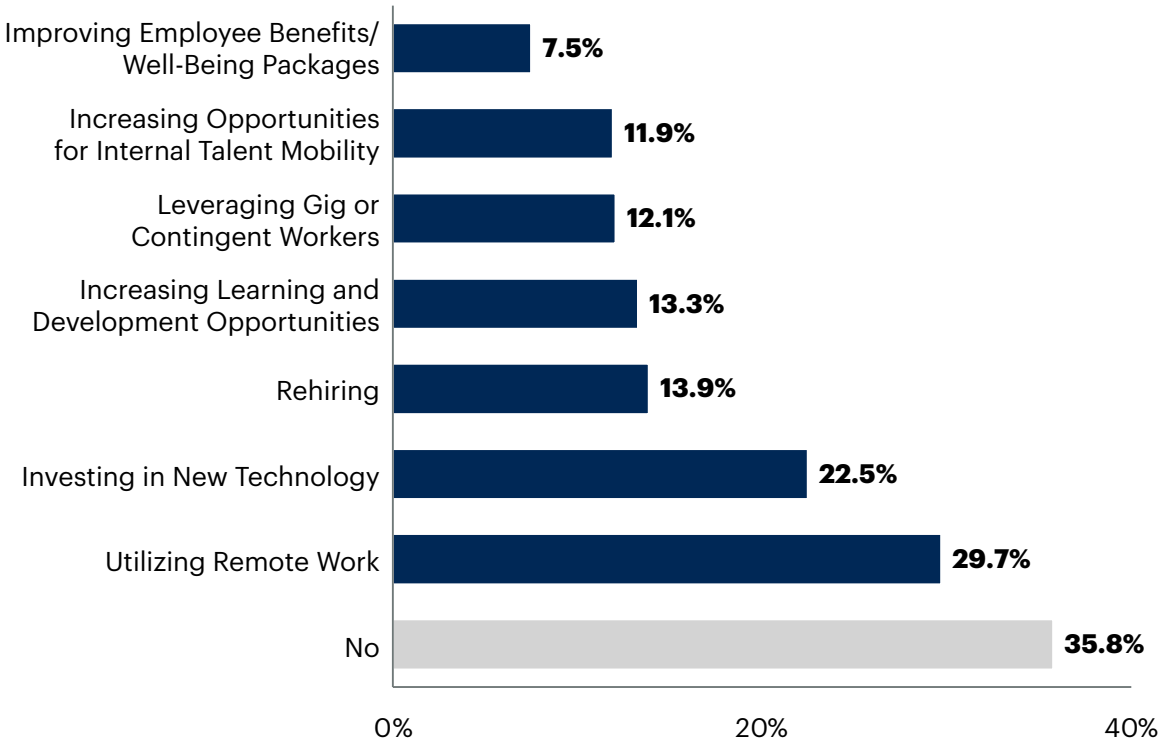
Our recent analysis of S&P 500 companies shows that organizations making smart budget plans — such as balancing workforce cost savings with targeted talent investments — outpaced companies solely focused on cost reduction during the pandemic. These smart-budgeting organizations were rewarded with a steadier rebound in revenue in the second half of 2020 (see Figure 2).

Companies that made talent investments in addition to cost savings measures in 2020 experienced a less volatile return to growth from the impact of the pandemic.

Successful organizations did not simply weather the uncertainty by targeting easy cost cuts to improve performance metrics in the short term. Instead, they optimized costs and funded new investments. For CHROs, this meant finding ways to fund talent investment opportunities.

Throughout 2020, 48% of S&P 500 companies funded at least one talent investment opportunity, such as employee benefits, well-being, and reskilling or development opportunities.[2] CHROs helped their organizations expand their decision frameworks from a

Figure 1. Organizational Investments After Cost Cutting
Percentage of Employees

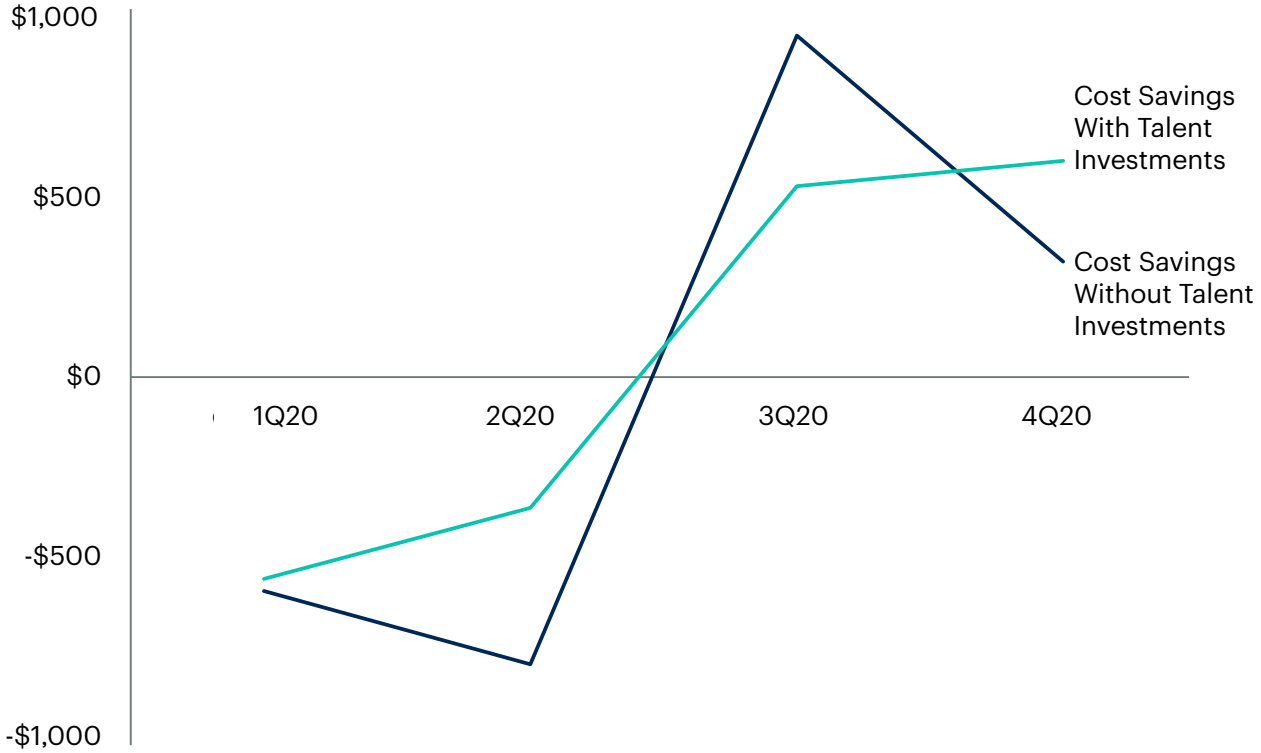


n = 5,338 employees

Q: "Has your employer reintroduced any of the activities below after cost cutting? (Select all that apply.)"

Source: 1H21 Gartner Global Labor Market Survey

Figure 2. Average Revenue Growth of S&P 500 Companies
USD Millions



n = 428 S&P 500 companies

Source: Gartner

Note: We studied the 2020 transcripts of S&P 500 companies, accessed through S&P Capital IQ.

cost optimization challenge to a longer-term employee experience challenge by considering investments in HR activities that would protect their long-term growth capabilities.

Build a "Save to Invest" Budget Strategy to Grow

As the budgeting season approaches, all parts of the organization are being called on to justify their spending. Now is the time when HR leaders must balance rigorous divestments of noncore activities with the reallocation of investments into highly prioritized HR services that are vital to the organization's long-term growth. This "save to invest" strategy is defined as decreasing budgets on one side to free up resources for critical investments, such as employee well-being and workforce technology.

A functional benchmarking assessment with high-quality peer group benchmarks can help HR leaders inform their budget structures and reevaluate their decisions about where to divest and where to invest. For example, Gartner's HR Budget & Efficiency Benchmarks assessment can be a valuable tool to:

- Drive HR functional performance and efficiency.
- Refine the HR transformation strategy.
- Validate HR spend and staffing levels.
- Compare HR spend to that of industry peers.
- Identify HR areas of over- or underinvestment.
- Build a story around how HR spend enables business objectives.
- Generate performance visuals and presentations for senior management and the board.

Of course, budget planning also depends on the organization's unique employee needs and HR priorities. But in most cases, HR leaders can make better-informed choices using results from this functional benchmarking assessment. They will then be able to identify the functional cost baseline and have informed discussions with their CFOs to justify current HR spend and future investment opportunities (see Figure 3).

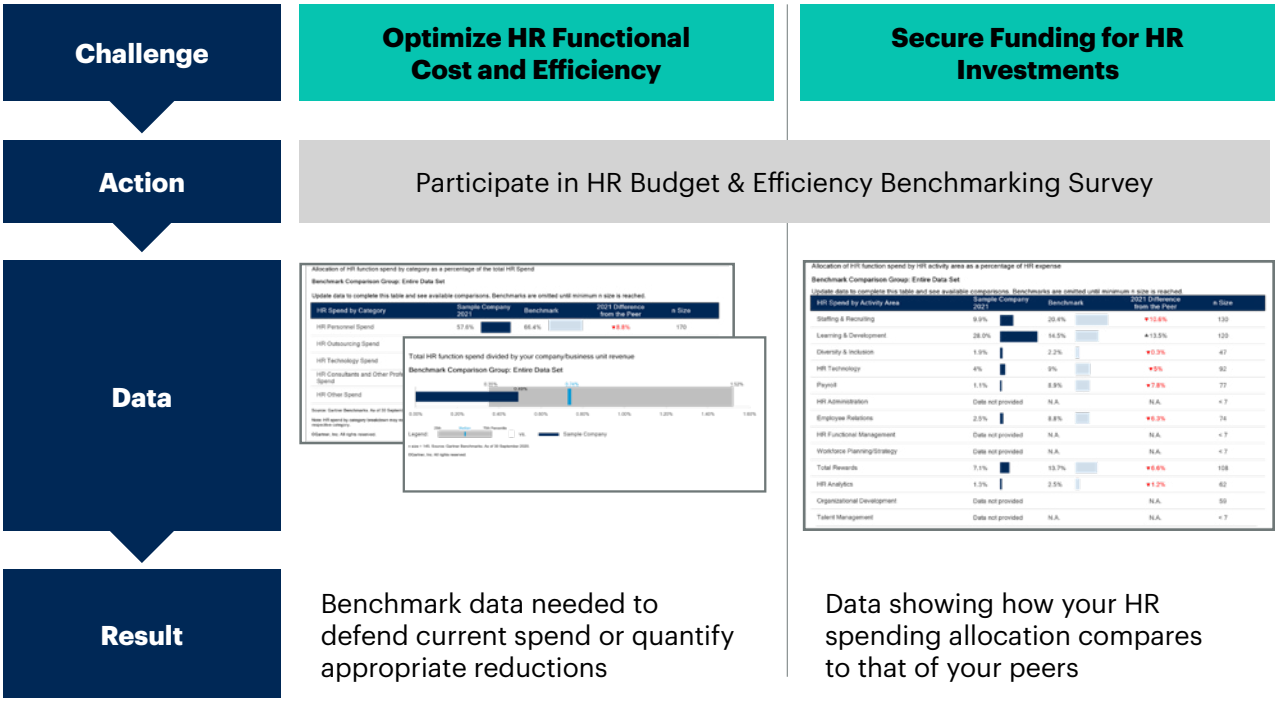
> One common pitfall in budgeting is that HR leaders focus solely on cost and headcount ratios and neglect the link to their strategic HR priorities.

Navigate Your HR Budget Decisions

One common pitfall in budgeting is that HR leaders focus solely on cost and headcount ratios and neglect the link to their strategic HR priorities. Failure to link the function's resources to its strategic priorities can lead to an unproductive, ineffective function that doesn't properly serve business and employee needs properly. Therefore, HR leaders should broaden their benchmarking horizons and look at the depth and quality of the services their function provides. HR leaders should clearly identify HR improvement areas and allocate their budgets and resources to ensure the alignment of priorities and resources.

Gartner's HR Score can help create that link. HR Score measures performance across seven objectives and 39 discrete functional activities (see Figure 4). The seven objectives provide a framework that defines the scope of the function and the diagnostics. The score diagnostics can help HR leaders justify spending by assessing the maturity of the HR function's critical activities and indicating which activities should be prioritized for improvement.

Figure 3. Defending Budgets and Driving Efficiency



Source: Gartner

Figure 4. HR Score Functional Activity Map

Manage the Function	Manage Employee Rewards and Benefits	Develop Employees	Recruit New Employees	Manage Existing Employees	Enable Organizational Effectiveness	Manage Workforce Strategy
• Build HR Strategic Plans • Manage HR Functional Design • Manage HR Staff • Manage HR Technology • Manage HR Budget	• Design Compensation • Communicate Compensation • Design Benefits • Communicate Benefits • Build Total Rewards Strategy • Compensate Executives	• Analyze L&D Investments • Design and Build L&D Solutions • Implement L&D Solutions • Develop Critical Talent Segments • Develop Leaders • Develop Managers	• Source Talent • Assess and Hire Talent • Acquire Critical Talent Segments • Recruit Executives • Onboard New Employees • Manage EVP	• Manage Employee Performance • Manage Employee Engagement • Manage Mobility and Career Paths • Manage Succession • Manage High-Potential Employees • Manage Diversity and Inclusion • Manage Employee Relations	• Manage Organization Design • Manage Change • Manage Culture	• Identify and Manage Competencies • Review Talent • Develop a Workforce Plan • Manage Talent Analytics • Partner With the Business • Interact With the CEO and the Board

Source: Gartner

Note: This is a view of what HR Score encompasses. Participants can choose to complete all or a subset of the activities during the assessment.

The Path Forward

In the near future, organizations will continue to navigate remote work, ongoing business disruption and uncertainty. HR leaders must plan their budgets effectively to protect HR services vital to the organization's long-term growth. Diagnostic tools such as the HR Budget & Staffing Benchmarks and HR Score will help HR leaders evaluate their own functions' performance, identify potential areas in which to adjust spend and free up budget to invest in critical HR activities. Once these diagnostics are completed, HR leaders will be able to map out the next important activities and have informed discussions with their CFOs to justify current HR spend and future investment opportunities.

[1] 2Q21 Gartner Global Labor Market Survey; n = 18,001 employees worldwide. Gartner has been conducting its GLMS quarterly since 4Q09. The survey is rolled out in 30 languages around the world to gain workforce insights on global- and country-level changes in employees' perceptions of engagement, retention, employers, pay and job opportunities. GLMS data with a focus on employee perceptions of cost has been collected since 1Q19. This survey collected responses from more than 40 countries, including Australia, Canada, China, Germany, India, Japan, Singapore, the U.K. and the U.S.

[2] We analyzed the 2020 earnings call transcripts, sourced from S&P Capital IQ, to identify themes and uncover differences in how the S&P 500 companies experienced and managed the impact from the COVID-19 pandemic. We used natural language processing (NLP) algorithms to rank common themes, then examined how words interacted with other words in their proximity to classify workforce cost-saving measures and talent investment trends. To analyze financial performance, we calculated average revenue growth as the average of growth in total revenue from 1Q20 through 4Q20, sourced from S&P Capital IQ.

Build Agile Recruitment That Keeps Pace With the Business

By Priyanka Rana

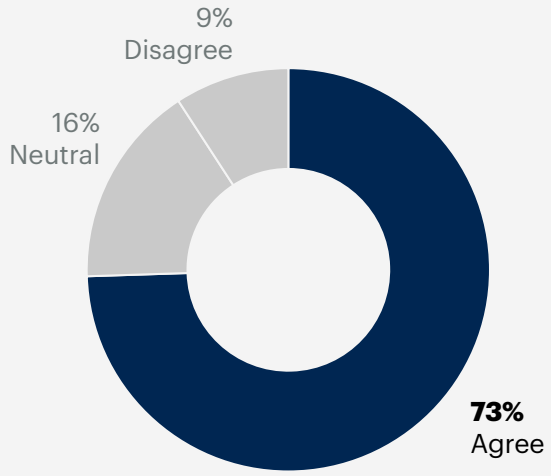
A highly volatile business environment requires a more agile operating model for the recruiting function. Recruiting leaders can use this three-part approach to design agile processes that are more responsive to rapidly changing business needs.

To recruit the high-quality talent needed today, agility is no longer just nice to have; it's a make-or-break capability for recruiting. The recruiting landscape is changing faster than ever, and recruiting is struggling to keep pace. While most recruiting leaders say the function's credibility depends on its ability to adapt quickly to changing business needs, only 38% agree their current operating models allow them to respond quickly to changes (see Figure 1).

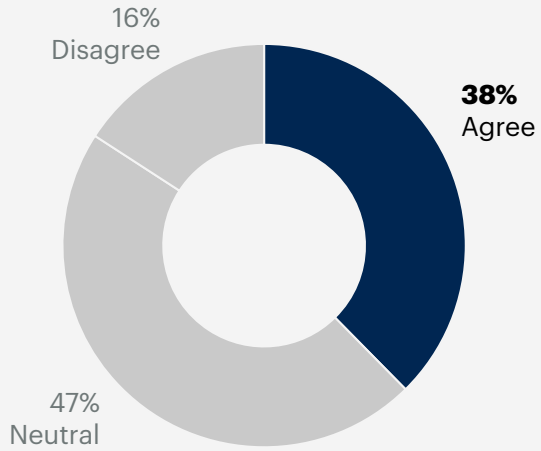
The problem is not going away. The frequency of business disruptions — caused by mergers and acquisitions, strategy shifts, digital transformations or public health emergencies — is increasing year over year. Compared to 2014, 2019 had 2.6 times as many disruptions, and 2023 is projected to have 4.9 times as many.[1] In the last year alone, these disruptions have led to hiring freezes and hiring surges — sometimes at the same time but in different parts of the business. This environment creates greater volatility for hiring demand in terms of both volume and skills requirements.

Figure 1. Agility's Importance vs. Readiness in Talent Acquisition

Agility's Importance
"Recruiting's credibility depends on its ability to adapt to changing business needs."



Readiness in Talent Acquisition
"Our recruiting operating model enables us to respond to changes quickly."



n = 32 recruiting leaders

Source: 2021 Gartner Recruiting Executive KPI Benchmarking Survey

Q: "To what extent do you agree with the following statements about the effectiveness of the recruiting function at your organization?"

Note: Percentages may not add up to 100% due to rounding.

Recruiting functions must learn to embrace the increasing pace of change. Seventy-five percent of recruiting leaders say their function needs to be more agile today than it was three years ago.[1] But recruiting faces three challenges in this journey:

- Delayed access to demand change information limits recruiting's ability to actively plan and respond.
- Siloed team structures do not allow recruiting leaders to align resources effectively to meet dynamic demand.
- Rigid recruitment processes cause bottlenecks as they fail to evolve with changing conditions and priorities throughout the course of a hiring project.

In the face of continued volatility, recruiting requires a transformational shift in its operating model — from a focus on efficiency and standardization to flexibility and agility.

Agility is more than speed of execution. It's the speed of response to stimuli. It is defined by how quickly one can change direction without losing balance. For recruiting, this means creating an operating model that empowers teams to sense demand shifts early, organize dynamically and execute their tasks using processes that enable frequent iteration and realignment to changing needs (see Table 1).

In the face of continued volatility, recruiting requires a transformational shift in its operating model — from a focus on efficiency and standardization to flexibility and agility.

Sense: Create Adaptive Hiring Forecasts

Low visibility of hiring demand has been a perennial challenge for the recruiting function. In 2021, only one-quarter of recruiting leaders we surveyed said visibility of the business's hiring needs for the year was high for them.[3] The conventional approach has been to create annual hiring forecasts and strive to get them as accurate as possible. But this approach no longer works because an organization's needs

Table 1. Traditional vs. Agile Talent Acquisition Models

Model	Sense	Organize	Execute
Traditional Talent Acquisition	Gather information from the business to build an accurate forecast of annual demand. **Why it fails:** Demand changes throughout the year.	Align teams with talent segments or business units to build strong and stable business partnerships. **Why it fails:** Siloed recruiters can't flex to meet diverse business demands.	Standardize processes to limit variability. **Why it fails:** When processes can't adapt to evolving needs, decision making hits bottlenecks and delays.
Agile Talent Acquisition	Create adaptive forecasts to proactively identify emerging demand shifts.	Create team structures that are fluid and reconfigurable to meet dynamic demand.	Create responsive processes that allow teams to realign their approach according to evolving demand.

Source: Gartner

can change dramatically over the course of a few months. To thrive in uncertainty, recruiting leaders must focus instead on adapting their hiring forecasts based on evolving business scenarios.

There are two big challenges to this adaptability:

- Talent acquisition managers usually treat the responsibility for updating forecasts as a side job. Alongside their day-to-day operations and management of recruiters' careers, most managers struggle to find time for regular demand-planning conversations.
- Even if talent acquisition managers find the time, business partners are often reluctant to engage in these conversations.

To overcome these barriers, organizations need to design the right structures and processes to support adaptive demand planning.

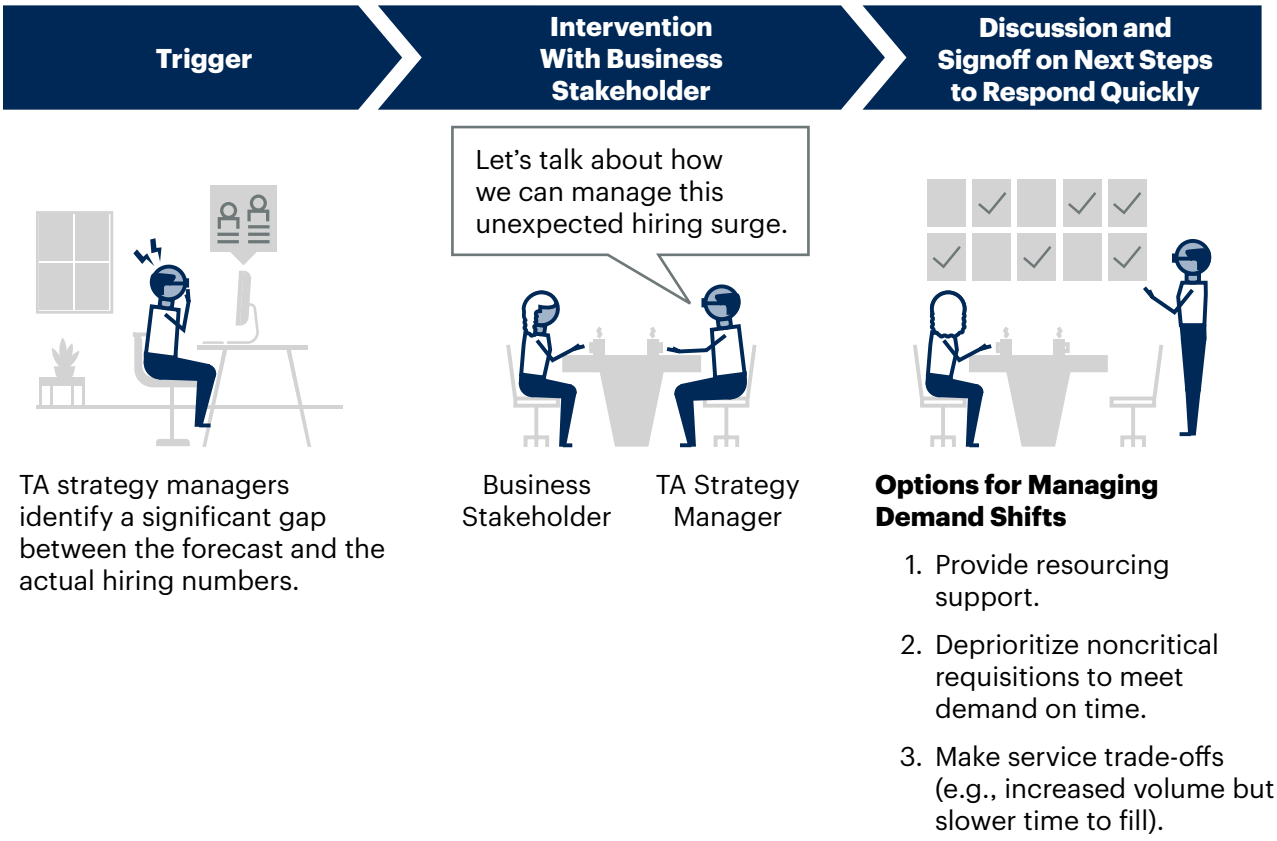
Commonwealth Bank created a dedicated talent acquisition strategy manager role to update hiring forecasts quarterly in close partnership with business leaders. In addition to the quarterly review, talent acquisition strategy managers set up an early intervention with business leaders if they identify a demand shift trigger, such as a high variance between projected and actual requisitions (see Figure 2). Creating a formal structure and processes for adaptive demand planning helped drive participants' attention and commitment to this activity. The intervention mechanism also provides timely insight into demand shifts, allowing recruiting to quickly adapt its strategy, resourcing and business expectations to meet emerging hiring needs.

Organize: Create Fluid Teams

Hiring demand is highly volatile across the diverse business areas in an organization. Recruiters may see a sudden demand surge for certain roles even while demand for other roles is low. For instance, as the retail sector was grappling with COVID-19 lockdown restrictions, hiring for store workers came to a sudden halt. But at the same time, hiring demand for digital sales teams and delivery executives skyrocketed.

Traditional recruiting structures that align recruiters with a particular business unit, talent segment or geography limit their ability to contribute to critical needs in other parts of the business. This approach results in silos and traps

Figure 2. Business Intervention Triggered by Hiring Forecast Variance



Source: Adapted From Commonwealth Bank

resources across the function. To succeed in this dynamic environment, the recruiting function requires more fluidity.

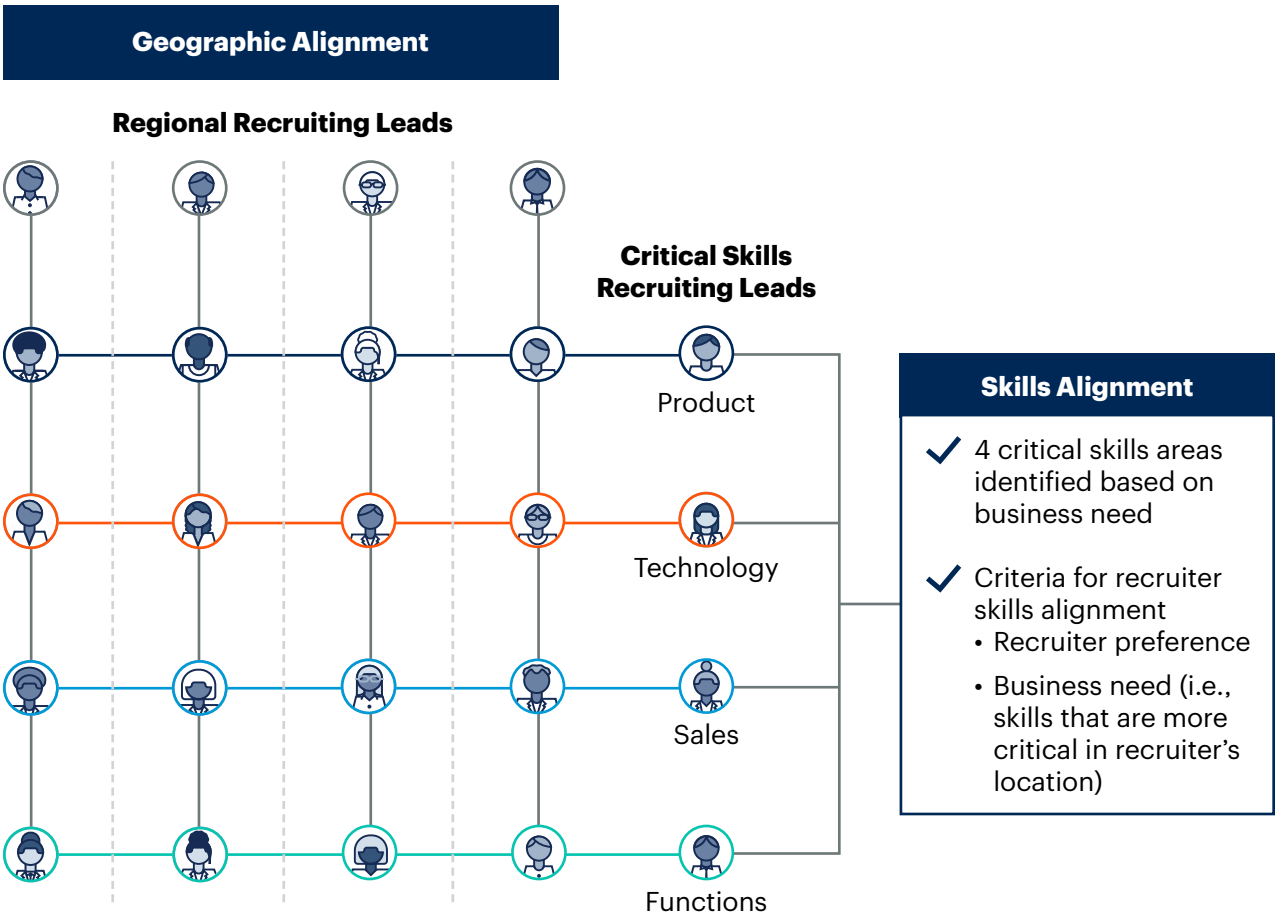
Recruiting functions often handle this volatility by reassigning recruiters based on their workloads; 58% of recruiters say they frequently support others on the team with a heavy workload.[3] However, this approach pushes recruiters into a new situation without support or preparation. Recruiters often feel confused and anxious because they lack the knowledge required to hire for the new skill and are not familiar with the new team members they must collaborate with. The time it takes to acquire this knowledge hinders their productivity. The failure of this approach is evident in the 60% rise in the average time-to-fill for a requisition between 2015 and 2020.[4]

To manage fluctuating demand, recruiting leaders must make structural changes that build flexibility and expertise around critical business needs. One organization, Manulife, restructured its Asia recruiting team to align recruiters with a geographic talent market as well as a critical skill (see Figure 3). This matrixed structure breaks traditional silos and creates more visibility and collaboration among recruiters on different teams, allowing them to respond faster during hiring surges.

Execute: Design Responsive Processes

Traditional recruiting processes focus on efficiency, with the assumption of certainty. For instance, things like the hiring criteria or assessment strategy are considered likely to remain constant. This makes sense on paper. In reality, however, recruiting is performed in a highly volatile, ever-changing business environment. For example, hiring managers are often uncertain about their hiring needs for new roles, so they may need to use interviews as a discovery process for defining skills needs.

Figure 3. Manulife's Skills-Based Recruiter Alignment Matrix



Source: Adapted From Manulife

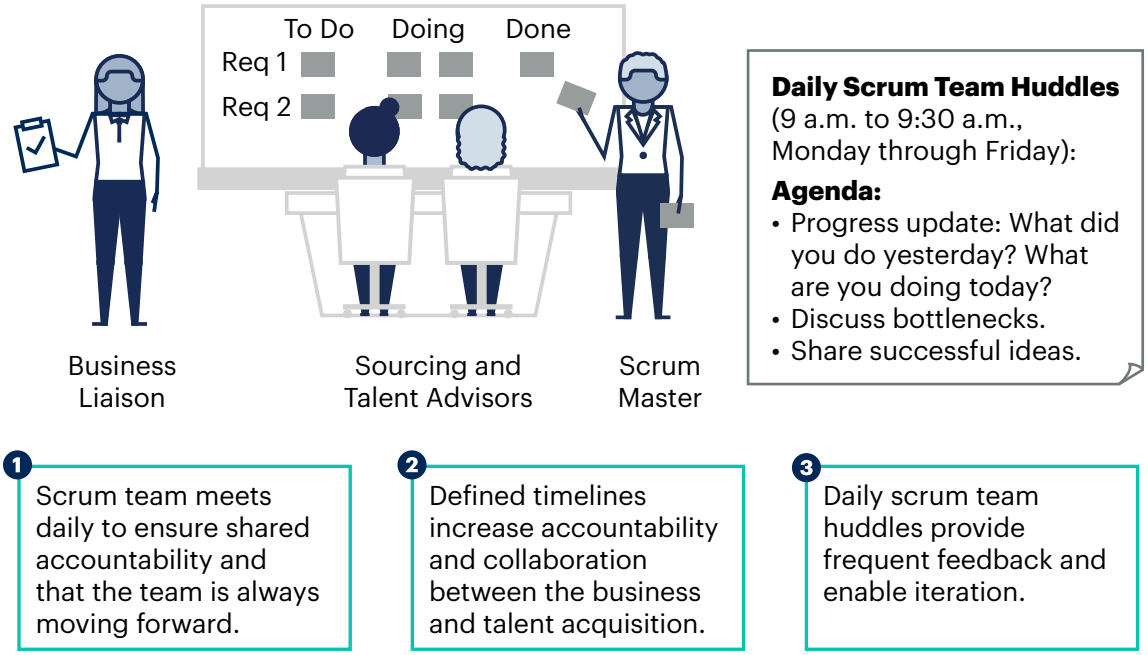
Processes that are not designed to respond to evolving needs end up creating bottlenecks. Such processes are characterized by infrequent communication, lack of accountability and misplaced priorities. To be responsive, organizations should adopt processes that account for uncertainty and create mechanisms to manage, rather than resist, change. Such processes are iterative, transparent and aligned with evolving client needs.

For example, Charles Schwab implemented the agile Scrum methodology to overcome bottlenecks in its traditional recruitment process. A scrum team at Charles Schwab comprises a talent advisor, a sourcing advisor, a business liaison and a Scrum Master. The team works on short-cycle, time-bound recruiting sprint projects and frequently reassesses needs and adapts its plans.

The scrum team meets every morning to track the progress each team member has made, discuss what team members intend to do that day, strategize on how to overcome bottlenecks and share best practices. It uses a Kanban board as a visual aid to have transparent discussions about progress and bottlenecks, thus driving accountability (see Figure 4).

This daily meeting also allows the scrum team to get decisive feedback from the previous day's hiring manager calibration session and to course-correct if needed.

Figure 4. Charles Schwab's Kanban Board and Daily Scrum Team Huddles



Source: Adapted From Charles Schwab

Conclusion

The traditional model of talent acquisition is becoming increasingly obsolete in the current environment. With more volatility and uncertainty expected in the years to come, now is the time for recruiting leaders to rethink their approaches and adopt new agile strategies that can respond more rapidly to change.

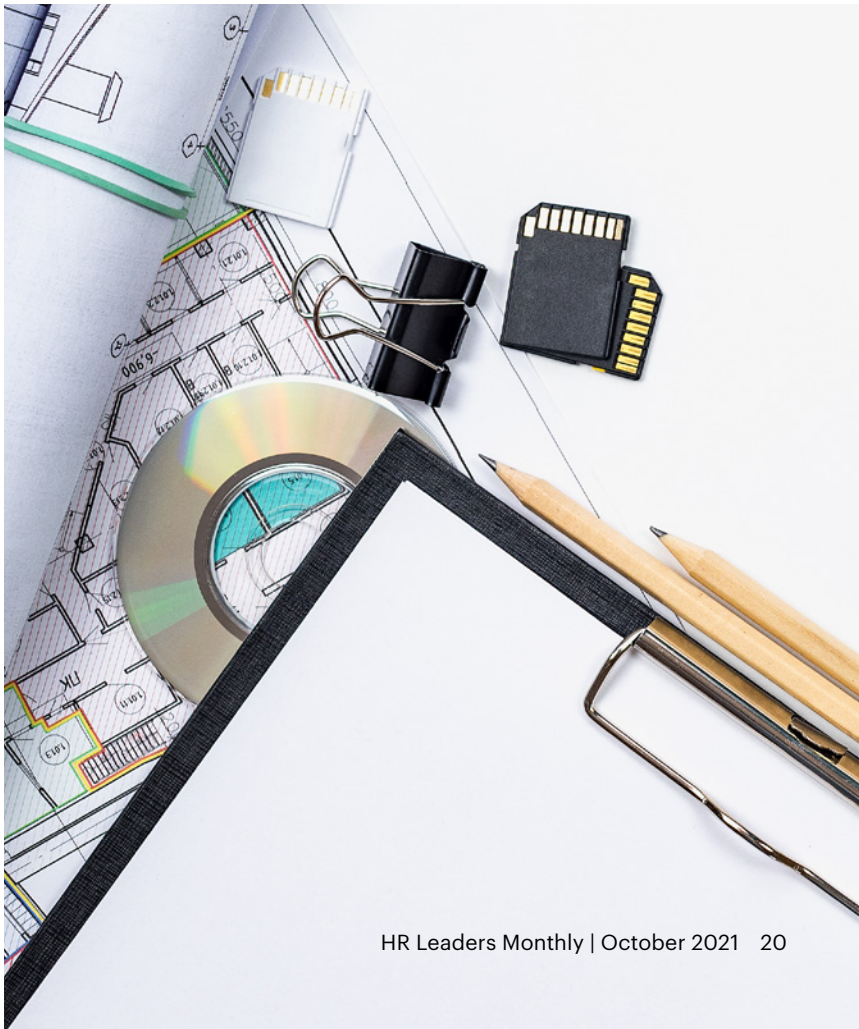
Recruiting teams that can sense demand shifts early, organize dynamically and execute tasks decisively in response to these shifts will be best-positioned to meet their organizations' talent needs in an intensely competitive labor market.

[1] Gartner analysis of Standard & Poor's Capital IQ data.

[2] 2021 Gartner Recruiting Executive KPI Benchmarking Survey. This survey, conducted between April and June 2021, polled 36 recruiting executives on the scale, staffing and structure of the recruiting function as well as its budget allocation, employment branding and recent changes. This data is used to calculate popular recruiting benchmarks, including cost per hire, hires per year and functional structure. Respondents were distributed among 10 countries and 16 industries.

[3] 2020 Gartner Future of the Recruiter Survey. This survey polled 253 recruiting staff between 4Q19 and 1Q20 on the experience of recruiters, day-to-day work and activities, and their perspective on the future of the role. Respondents were distributed among 22 countries and 21 industries.

[4] 2015-2019 Gartner Global Labor Market Survey.



How HR Strategy Can Drive Business Outcomes in Times of Change

By Jonah Shepp

Many CHROs are revisiting their strategic plans in the wake of the COVID-19 pandemic. Two expert practitioners offer insights into how CHROs can more effectively plan and execute their HR strategies in line with the organization's needs, priorities and context.

During the pandemic, many CHROs had to set aside their strategic plans and focus on the immediate impact of the unprecedented disruption. Now, with the end of the pandemic in sight and some parts of the world already beginning to recover, HR strategy is back on the table. Indeed, strategic planning is especially important today because CHROs must plan for a future very different from what they expected two years ago. Now is an appropriate time for many organizations to update their HR strategies.

In a July webinar, we heard from two expert practitioners about how CHROs and other HR leaders can best navigate that process. Piers Hudson, senior director in our HR advisory practice, led a conversation with Lynanne Kunkel, CHRO at Vail Resorts, and Jason Lamb, who is

Lynanne Kunkel

Lynanne Kunkel has served as executive vice president and CHRO of Vail Resorts since May 2017. Before joining Vail Resorts, she served as senior vice president of global HR for Michigan-based Whirlpool Corporation and held various other executive positions within the company. From 1989 through 2009, she served in a number of leadership roles at Ohio-based P&G, including HR director of global home care.

Jason Lamb

Jason Lamb is actively involved in crafting and executing human capital strategy and plans for the U.S. Space Force (USSF). He serves as a subject matter expert advisor to USSF senior leadership on how best to acquire, develop, engage, assess, promote and employ its military and civilian members. Before his current position, Lamb served over 25 years in the U.S. Air Force and retired in the rank of colonel.

All views expressed are Lamb's and do not express any official position of the U.S. Department of Defense, the U.S. Department of the Air Force or the USSF.

currently writing the talent management strategy within the USSF. Despite operating in very different organizations, Kunkel and Lamb offered some closely aligned insights into the challenges of HR strategic planning.

Understand the Business to Connect Strategy

The part of the strategic planning process CHROs find most challenging is making the connection between HR strategy and the broader business strategy. When developing an HR strategy, it is important to ground it in the organization's needs, goals and priorities as well as the business environment and resource constraints in which the organization operates.

For Kunkel, strategic planning begins with understanding the situation the business is in. "The way I like to think about that is: I have to become fluent in the company business model. I have to understand the P&L structure and financial structure of the business, how we make money. And I have to ... speak the language of the business and translate the HR opportunities that I see strategically into language that feels fully integrated with the business outcomes."

Kunkel illustrated this concept with an example from her own work. Vail Resorts has grown rapidly over the past 10 years, and its business model involves using data about guest behaviors to decide where to make investments that will optimize the guest experience. "So, what I needed to try to understand was, what does operating at scale look like for that network? ... And how do we make sure that the talent, capabilities and processes we use to run the business are all evolving and developing at the same rate of sophistication as our business model?"

"Our mission for the company is 'the experience of a lifetime,' and the full articulation of that is we create the experience of a lifetime for employees, so they, in turn, can create the experience of a lifetime for our guests."

To make sure HR strategy is grounded in business outcomes, it helps to have someone involved in the process who has a strong background in business operations, Lamb added. "If you don't have someone on your team who is devising your HR strategy, who has serious time in operations, you're doing yourself a disservice. You don't have the frame of reference .... And, frequently, you can chase measures of effectiveness and

measures of performance that are distracting and not necessarily directly speaking to the business (or, in my case, mission) outcomes you're looking for."

This strategic focus on the business should apply to not only the CHRO but also the entire senior HR leadership team. Kunkel said she holds her leadership team accountable for taking an enterprise view so that, for example, the head of recruiting isn't solely focused on obtaining more resources for recruiting. "One of the ways we broke those silos down is that we have these four strategic priorities in service to the vision of HR. In addition to their vertical silos, each [leader] owns something that is enterprisewide and horizontal. So in many ways, we've structurally created shared accountability between HR team members, so they are basically forced to think holistically about what they would choose and what they are willing to give up in service to that choice."

Embrace the Tension in Strategy Communication

In communicating changes to the HR strategy, CHROs must be intentional about when and how they inform various stakeholders and get them involved in the process. Both panelists agreed that HR leaders can't shy away from these tough conversations.

"It's about involving people early and often," Lamb said. "People do not like things imposed on them. They want to feel like they have a voice, even if you don't take all their inputs. So it's absolutely critical [to involve stakeholders] when you are fundamentally changing the approach, like we are seeking to do in the Space Force. Sometimes the senior executives can feel threatened by that." As for employees, Lamb said, "Nobody's terribly comfortable with change, so, again, you have to demonstrate how it's in their interest, and that this temporary discomfort will ultimately provide a better experience for them."

For Kunkel, the key word in strategy communication is "alignment." She treats her vision and strategy document like an elevator pitch — a brief, simple statement of strategic priorities that she can bring up frequently in meetings and interactions so stakeholders become familiar with it. "In many ways, through that conversation, you're creating tension between where we're going, what it's going to take to get there and the current state. And I like to make that tension overt because I think it's the best outcome if people decide for themselves if they're up for the journey or not."

In communicating changes to the HR strategy, CHROs must be intentional about when and how they inform various stakeholders and get them involved in the process.

Changing Strategy, Culture and Behavior

Changes in strategy often necessitate changes in culture, which, in turn, require tactics for changing employee and leader behaviors. One of the changes Lamb is working toward in the USSF is a culture shift from intense competition among employees to a more inclusive environment that encourages collaboration and cooperation. "If you have a very limited force, and the primary operating construct within that force is teams,

it seems to me that an individualistic and competitive approach to HR is not going to get you the best outcomes .... The approach, instead of having people compete against each other, is to have them compete to see who can be the best teammate."

To achieve this goal, Lamb said, the USSF is redesigning processes to be incompatible with the old way of doing things. "You have to be very aware of the cultural artifacts that symbolized or kept you rooted in the old behaviors you no longer want. And you have to intentionally remove those and design new artifacts that people have to latch onto because there is no choice."

For example, the USSF is considering moving from a performance management system that relies exclusively on supervisors assessing and ranking employees on a numerical scale to a more continuous, quantitative approach that captures more data from more sources within the organization. Under the proposed system, Lamb explained, "the practice of stacking, or stratified ranking of employees in very deterministic, permanent ways, can't exist."

Strategic Planning Is Long-Term

An HR strategy should be a long-term planning document, not something you change every year. The time to rewrite your strategy comes only when either the function's goals have been met or the organization's strategic priorities change. Our research shows that a trigger-based approach to updating HR strategy is superior to making changes at regular intervals.

"If it's a really robust strategy, it has a life span," Kunkel said. "It's not something you would update frequently. The strategy itself is grounded in a long-term objective." At Vail Resorts, Kunkel and her team hold quarterly strategy meetings, where they step back and evaluate whether the strategy is still serving its intended purpose. "At least in the time that I've been here, we haven't yet gotten to the point where we've had to change the strategy itself. What we have done is reprioritize initiatives and capabilities in service to that strategy."

Lamb agreed. "If you are changing your strategy frequently, within an annual cycle, it's not a strategy; it's maybe a plan. Maybe it's tactics .... What triggers a change in the strategy is if those measures tell you you are consistently failing to meet your goals. And even then, causal analysis is necessary" to determine whether a strategy revision is merited.

Conclusion

The changes in the business environment during the pandemic have prompted many HR leaders to reassess their strategies this year. Many organizations' goals have changed, and the assumptions underlying these strategies have been disrupted. If you have not already done so, now may be a good time to revisit your HR strategy and check whether it still aligns with the organization's broader strategic priorities and the environment in which the organization currently operates.

Build a Better Strategic Plan for Your Function

Only 8% of strategy leaders report a success rate of 90% or more on long-term strategic initiatives. Why? Because strategic plans are often WORN: written once, read never.

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Use Business Unit Inputs to Create an Organizational Workforce Plan

By Zhenli Lin

HR leaders are adept at conducting workforce planning within business units but struggle to integrate their input. Understanding how inputs from business units are used in designing and executing workforce plans will help HR leaders drive a coherent organizationwide workforce planning strategy.

The COVID-19 pandemic has awakened organizations to the need for strategic workforce planning as a way to manage sudden changes, such as those experienced during this pandemic. Organizations are starting to realize a holistic overview of skills in an organizationwide workforce plan will enable organizations to deploy employees across business units (BUs) more efficiently, especially when a mismatch in talent demand and supply needs to be urgently addressed. However, most organizations are making workforce plans at a BU level and often struggle to put workforce plans from different BUs together to come up with a workforce plan that makes sense at an organization level. Instead of thinking about workforce plans at an organization or BU level as two distinct options, HR leaders should identify the steps and activities that should be conducted at a BU level. They should also focus on how these inputs may be used to inform plans made at an organization level.

Organizational Workforce Planning Steps With BU Inputs

To better understand how an organization-level workforce plan can be conducted with inputs from BU-level workforce planning, a closer look at the activities involved in each step of the process is necessary. The activities involved in workforce planning can be broadly categorized as designing and execution.

Designing Activities

The first four steps in the workforce planning process involves designing activities. The involvement of stakeholders within a BU differs depending on designing activities, some of which are conducted at both the BU and organization levels.

Step 1: Prepare for Strategic Workforce Planning

As part of preparation for the strategic workforce planning process, HR leaders need to identify:

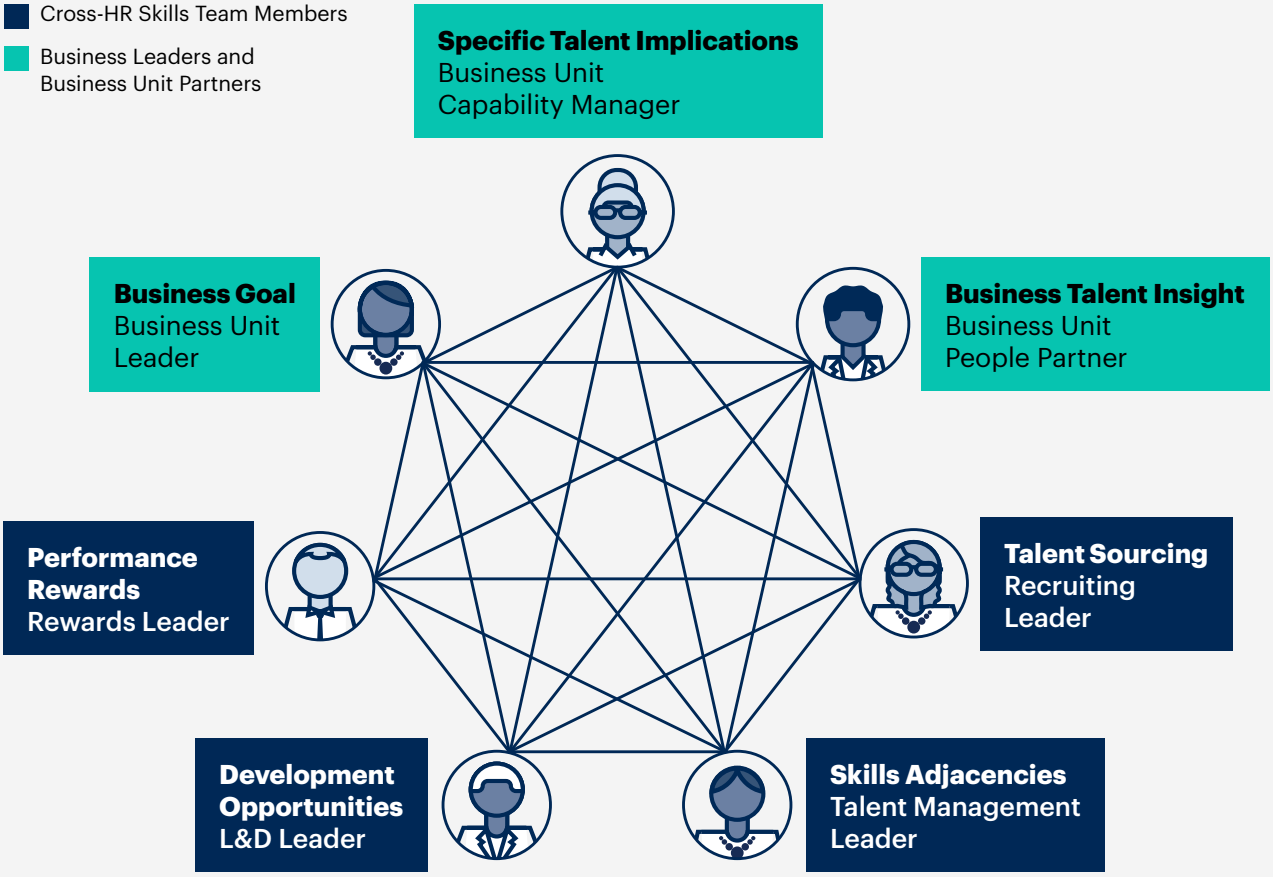
- Key components in a workforce plan document
- Key stakeholders and their responsibilities in the process
- Critical BUs to partner and prioritize investments in

To overcome time constraints and yet continue to actively shape future hiring needs, American Red Cross uses a prioritization framework to identify BUs with high growth rates and high alignment with organization's priorities as critical BUs. American Red Cross prioritizes deeper talent planning conversations for critical BUs but still takes a light-touch approach with the other BUs. HR leaders with similar resource constraints can use a similar prioritization approach to identify critical BUs to partner and invest in.

Step 2: Understand the Business Strategy

Three main activities are performed as part of understanding the business strategy: setting business objectives, analyzing internal and external labor markets and assessing talent needs. In these activities, a bidirectional flow of information takes place between the key stakeholders overseeing workforce planning on an organization level and those within the individual BUs. Key stakeholders overseeing workforce planning on an organization level usually include the head of talent management and business leaders in top management. In contrast, workforce planning within individual BUs usually involves the HR business partners (HRBPs) and business leaders of the specific business segment.

Figure 1. Key Insights of Cross-HR Skills Team Members



Source: Adapted From Lloyds Banking Group

To obtain a more accurate insight into skills needs, Lloyds Banking Group assembled a cross-HR skills team that collaborates with the business on skills planning (see Figure 1).

The cross-HR skills team includes representatives from all relevant HR subfunctions such as total rewards, talent management, recruiting and L&D.

When setting business objectives, HR leaders should:

- Identify the strategic priorities of the organization.
- Cascade the organization's priorities to each BU to determine individual priorities.
- Help HR leaders in individual BUs understand the impact of the organization's priorities on their BU and get them to evaluate how they should set their individual priorities to contribute to the organization's priorities.

When analyzing external labor markets, HR leaders should:

- Identify emerging trends and their impact on the organization's business strategies.
- Cascade information on trends and general skills impact to individual business units.
- Support HR leaders in individual business units to analyze the impact of those trends on priorities and skills needs of their BU.

When analyzing internal labor market, HR leaders should:

- Create a sufficient, not exhaustive, skills inventory that provides enough data to inform skills decisions at the pace the business requires.
- Form a flexible, cross-organization network of stakeholders tasked with identifying and monitoring changes in skills supply and demand.

When assessing talent needs, HR leaders should:

- Prioritize critical talent segments or roles at the organization level.
- Uncover the capability needs of these critical talent segments within individual BUs.
- Use the analysis of internal and external labor markets to identify where skills are in excess or facing a shortage.

Step 3: Diagnose Risks to Strategy Execution

HR leaders will need to use the results of the internal and external labor markets analysis in Step 2 to diagnose risks they may face in executing their workforce strategy. A key activity here is to align talent needs with business objectives. This involves:

- Centering discussions within the BU around the most important capabilities needed for alignment with the BU strategic plan, which should also align with the organizational priorities.
- Sourcing inputs from BU leaders and middle management to influence discussions around the most important capabilities needed within the BU and within the broader organization.
- Using these multiple sources of inputs to inform risk analysis for the most important capabilities.

Step 4: Develop a Plan to Address Risks

When drafting a workforce plan to address talent risks, HR leaders should:

- Create transparency into skills needs within and across BUs to inform workforce plan creation and facilitate the dynamic transfer of skills within the internal labor market. Ways to create transparency may include a centralized internal application portal, a common point of contact for advice on skills availability within the organization, or a standardized process for BU leaders to requisition skills.
- Work on the potential action steps in the workforce plan from both the organization and BU levels. Common needs throughout BUs can

be collectively addressed at the organization level, while BU-specific workforce needs can be addressed at the BU level.

- Prioritize action steps to be addressed at the organization level based on their urgency and criticality to meeting strategic priorities. For action steps at the BU level, assign ownership based on responsibilities and capacity.

Execution Activities

The final two steps in the workforce planning process involve execution activities. Execution activities are mostly conducted at the BU level but involve collaboration with stakeholders throughout the organization. In executing a workforce plan, HR leaders need to set clear triggers for when a plan needs reevaluation and assign ownership for trigger identification.

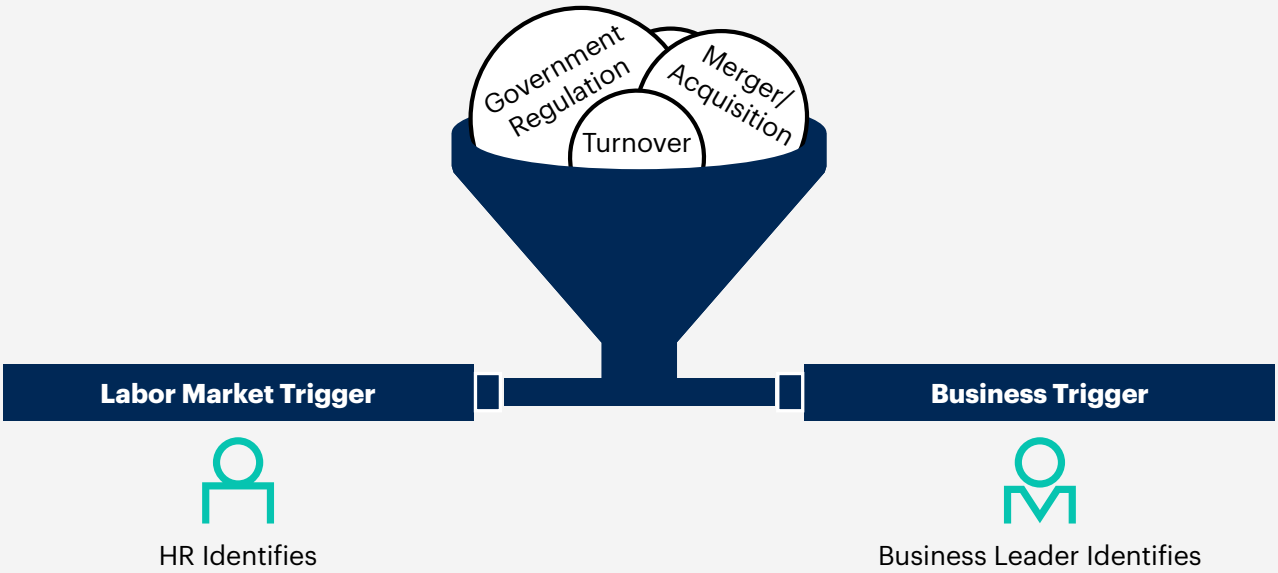
Step 5: Prepare to Execute the Plan

Before HR leaders can effectively execute the organization's workforce plan, they need to:

- Create a complete workforce plan document that includes each of the key components (that is, workforce plan summary, implementation plan, individual initiative overview and implementation risks map).
- Communicate the workforce plan to relevant stakeholders for execution within their BUs or areas of responsibility.
- Establish triggers for reevaluating the plan outside of the regular review cadence (for example, quarterly or annually). Triggers should be set at both the organization and BU levels. For instance, new skills needs that remain unmet for a predetermined threshold period may call for a review of the BU and/or organization workforce plan.

The Australian Financial Security Authority splits the responsibility for updating workforce plans between HR and business leaders based on their existing expertise. This way, each party works on updates where it can have the greatest impact. The split is made such that HR is responsible for identifying labor market triggers, while business leaders are responsible for identifying business triggers, which they already track for business strategy purposes (see Figure 2).

Figure 2. Trigger Identification Process for Updating the Workforce Plan



Source: Adapted from Australian Financial Security Authority

Step 6: Monitor the Plan

To know if a reevaluation is needed, HR leaders also need to monitor and evaluate the effectiveness of the workforce plan. BU leaders should set up regular check-ins with HRBPs to review the BU's workforce plan against objectives set at the start. Similarly, the head of talent management should do the same with BU leaders to evaluate the effectiveness of the workforce plan and determine if an adjustment to the plan is needed.

Conclusion

Conducting workforce planning at an organizational level can indeed be challenging. However, it is not an insurmountable task.

> To know if a reevaluation is needed, HR leaders also need to monitor and evaluate the effectiveness of the workforce plan.

HR leaders conducting workforce planning need to work closely with other stakeholders in the organization, especially the BU HR leaders who can collectively contribute to the creation of an effective workforce plan at an organizational level.

With effective coordination and greater transparency, workforce planning at an organizational level can overcome the limitations of BU-level workforce plans and better support the organization in advancing toward its strategic priorities.

Craft a Future of Work Strategy to Plan for and Shape the Future of Your Organization

By Cheshta Dora

HR leaders struggle to determine the right approach for formalizing the future of work at their organizations. Use this research to learn the key principles and the process of establishing a future of work strategy. This resource is part of in-depth research on crafting a future of work strategy.

Defining Future of Work Strategy

Gartner defines a future of work strategy as a set of initiatives to address the uncertainty and implications of future events that lead to changes in how, when and where work is done; who or what does the work; and even what is considered work. These changes can be driven by the organization or by trends in external forces such as emerging technology, market shifts and demographic changes. These trends can present existential threats to an organization's business model, operations, labor force or supply chain. Because new trends are forcing organizations to change more frequently than ever, a future of work strategy is a living document, and developing a future of work strategy is an iterative exercise.

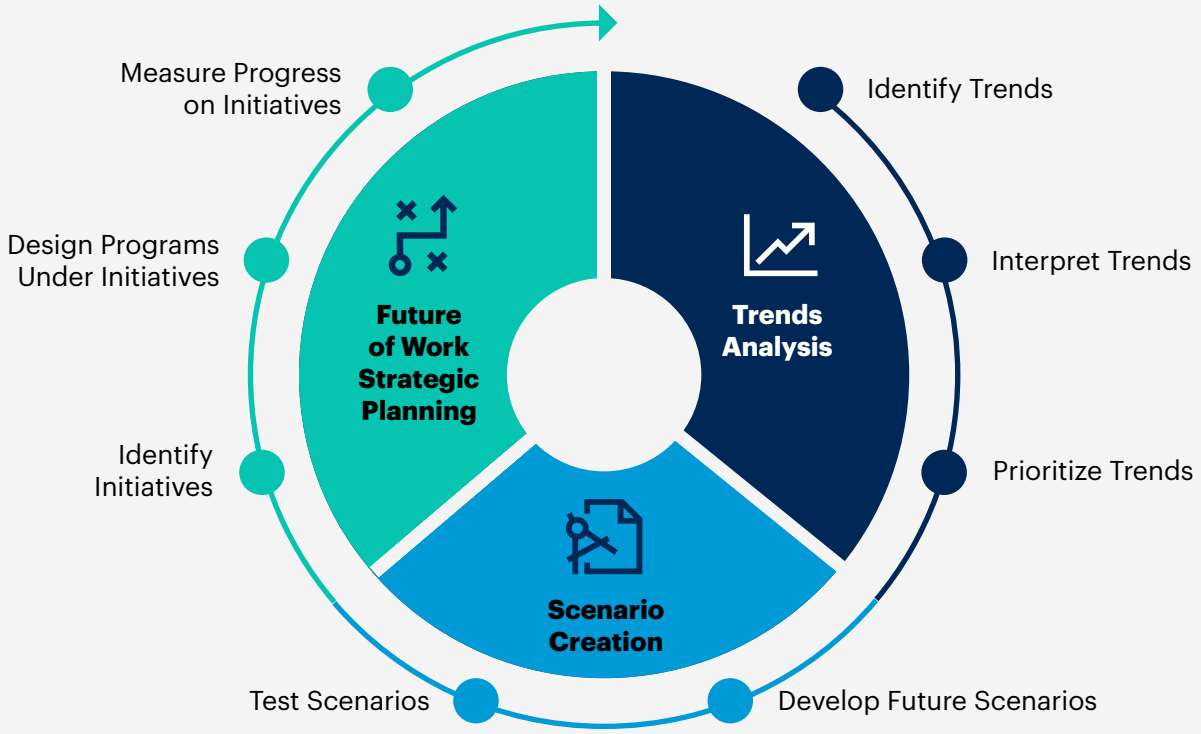
A future of work strategy has several elements, including:

- A description of the organization's current state and desired state for how, when and where work is done; who or what does the work; and what is considered work
- A prioritized list of future of work trends
- A roadmap for implementing future of work initiatives the organization will pursue to reach the desired state

The Process of Crafting a Future of Work Strategy

We recommend a comprehensive process to develop a future of work vision and strategy for your organization. This process has three phases, each comprising several steps (see Figure 1).

Figure 1. Crafting a Future of Work Strategy



Source: Gartner

Phase 1: Trends Analysis

This first phase entails scoping, understanding and prioritizing key trends and potential disruptions.

Identify Trends

There are two approaches to identifying future of work trends that can potentially impact your organization or create opportunities in the future:

- Source trends from external sources (e.g., outside experts, press reports, industry-specific trend reports, search engine alerts) and internal sources (e.g., progressive business leaders, talent analytics, board and executive meeting minutes, employee and customer surveys).
- Derive trends from a multistep process by envisioning a potential future and working backward to what must take place for that future to happen. There are several techniques for envisioning a potential future, including a premortem, "science fiction writing," analyzing competitor behavior and cross-industry analogues.

Interpret Trends

We suggest using one or both of the following lenses to understand the relevance and implications of the identified trends for your organization:

- Trends uncertainty involves assessing trends on a spectrum of low to high uncertainty. The four categories along that spectrum are: trends that are a reality today, predictable trends, unpredictable trends and transformative trends. This will help you understand the implications of these trends for your organization's goals. You can further ascertain trends' relevance by comparing the degree of uncertainty against the time horizon your organization considers in planning for the future of work.

- Trends impact involves assessing trends based on the influence of external factors, such as technological, political, economic, social or cultural, trust or ethics, regulatory or legal, and environmental factors (TPESTRE or "tapestry" analysis). This will help you uncover which trends have the greatest potential impact on your organization. You can further understand the relevance by identifying organizational factors that will accelerate or inhibit each trend's impact.

Prioritize Trends

The next step is to prioritize the future of work trends with the greatest potential impact or opportunity for competitive advantage. Two organizations offer examples of how to do this effectively:

- NASA's three-filter approach includes longevity, alignment with employees and/or talent pool, and opportunity as evaluation criteria for narrowing down the list of trends and shaping the organization's future of work vision. After filtering the trends, NASA groups them into themes based on end-state goals (e.g., designing for sharing and security), to leave room for achieving each goal in a variety of ways.
- John Deere's megatrend assessment filters approach includes an impact screen (testing the relationship between the trend and the company's core business and capabilities) and an opportunity screen (ranking megatrends and identifying those fit for focused time and resource investment). These screens help filter and prioritize future of work trends.

Phase 2: Scenario Creation

The second phase involves an adaptive approach to predicting and testing future business scenarios using the prioritized future of work trends.

Develop Future Scenarios

Identify critical uncertainties for your prioritized trends that can lead to a range of future outcomes. Then, combine an extreme range of future outcomes to create future scenarios.

Once your scenarios have been developed, identify the business implications of each, and use storytelling techniques to build simple and relatable narratives that illustrate the business impact. Finally, assess the quality of the crafted scenarios.

Test Scenarios

Identify possible events that must or must not happen for each scenario to unfold. This will help lay out an event path from the current state to future scenarios and enable you to monitor whether the future is evolving to favor a particular scenario. You can then assess the likelihood of possible events to prioritize the scenarios with the highest probability of occurrence and degree of disruption.

Phase 3: Future of Work Strategic Planning

The third phase involves developing a roadmap or a strategic plan to identify, implement and track future of work initiatives. The strategic plan should also have the ability to respond to shifts in trends.

Identify Initiatives

Conduct gap analysis of current business strategy and future scenarios in order of priority to identify gaps in your current and future objectives. Use this analysis to select the most relevant future of work initiatives to plug the gaps and shape your organization's future based on the most likely, highest-priority scenario.

Design Programs

Break down your future of work initiatives into programs with specific objectives and timelines, and assign teams based on the capabilities required. Determine the resource investment required to implement each program and successfully deliver the strategic plan.

Measure Progress

Select metrics and monitoring mechanisms to track your organization's progress on the future of work initiatives, and course correct if required. This step also includes identifying and monitoring shifts in trends that might affect future scenarios and trigger a review of your initiatives.

If HR leaders want to create a future of work strategy in a short span of time and for a short time horizon, they can skip the scenario creation phase (Phase 2) and move straight from trends analysis to strategic planning.

In doing so, they would conduct the gap analysis and identify initiatives using the prioritized trends and their implications directly, without crafting scenarios first.

A Unified Approach to the Future of Work Strategy

Many organizations' preparations for the future of work are happening in silos of individual business units with more strategically minded leaders. This informal and fragmented approach to the future of work raises significant risks, such as conflicting business unit priorities, redundancies in processes and efforts, and misalignment with organizational goals. These risks can have severe cost implications.

An organizationwide, unified future of work strategy is the most effective approach to preparing for and shaping the future of work. It can provide a competitive edge in the industry and labor market, surface innovative ideas, accelerate action during times of disruption, and enhance employee engagement and employer branding. A unified approach also provides a central framework for individual business units by creating shared accountability and responsibility toward a single goal.

As more organizations start to invest in planning for the future of work, HR leaders must lead the effort to develop a centralized future of work strategy at their organizations. Having a robust strategic plan will enable organizations to remain competitive in an environment of continuous disruption and uncertainty.

Addressing HR Leaders' Top Strategic Planning Challenges

By Aadil Abbas, Jane Alancheril and Gaston Gomez Armesto

Many HR leaders are struggling to set and execute strategy in a fast-changing business environment with an overwhelming number of strategic priorities and a variety of stakeholders. Addressing these challenges begins with aligning HR strategy with the business's broader objectives.

In the second year of the COVID-19 pandemic, amid an uneven and unpredictable global recovery, CHROs and HR leadership teams face an exceptionally difficult environment for strategic planning. Aligning HR strategy with business strategy, prioritizing strategic activities and communicating effectively with the C-suite are more critical than ever.

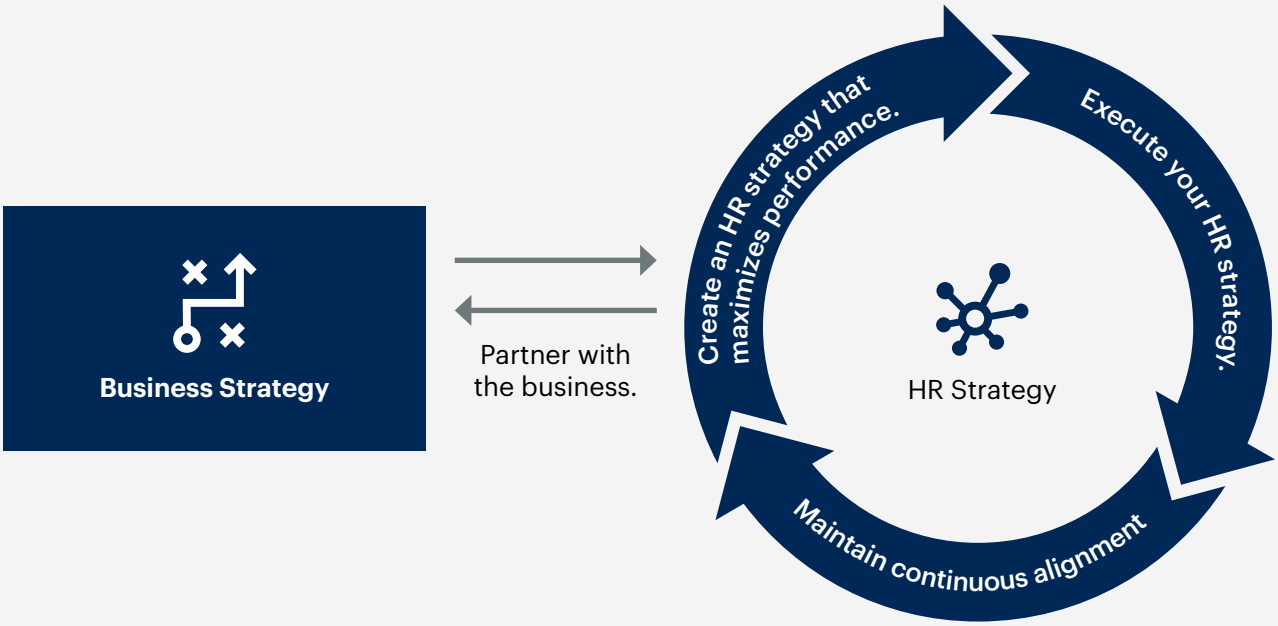
We asked three of our senior advisors in Australia, the U.K. and the U.S. to discuss the biggest challenges they are hearing from HR leaders about strategic planning today and the advice they are giving for how to tackle them.

Use Human Capital Triggers for Continuous Strategic Alignment

In many parts of the word, the rapidly evolving COVID-19 situation has required C-suite leaders to regularly revisit and adapt their functional strategies and tactics to ensure their organizations' survival and long-term growth. The days when strategic planning was a once-a-year, set-and-forget exercise are over. HR leaders are not immune to this challenge. It has become even more important to revisit HR strategy as business strategy changes, but still, only 27% of HR leaders say they are reviewing their HR strategies once per year or more.[1]

HR leaders should strive for a continuous dialogue between business strategy and HR strategy. HR strategy should always respond to the strategic needs of the business, but in a world where talent is increasingly seen as an organizational priority, it should also inform and influence business strategy (see Figure 1).

Figure 1. Relationship Between Business Strategy and HR Strategy
Engage in Continuous Dialogue



Source: Gartner

Incorporating triggers is an effective way to shift HR strategy from an annual approach to a more continuous dialogue that supports evolving business strategies. This approach has been gaining momentum, with many organizations adopting a hybrid strategic planning process that incorporates a traditional, calendar-based review as well as built-in triggers to force a review outside the normal planning cycle. We advise clients to incorporate not only business triggers but also human capital triggers.

Human capital triggers ensure that people strategy can also influence business strategy. For example, if an organization's latest culture survey indicates a low level of trust between employees and managers, this might prompt:

- A conversation about the impact of reducing the organization's real estate footprint, as many organizations are currently doing (Business leaders might consider whether office space should be preserved or repurposed to intentionally build trust and collaboration.)
- Changes to the business strategy for a new product launch or entry into a new market (If the success of the move relies on teams collaborating more effectively, the strategy may need to be adjusted.)

We recommend dividing up these triggers among C-suite stakeholders and checking in throughout the year to determine whether HR strategy needs to be updated, and to inform stakeholders of HR triggers that may impact business or HR strategy. The Australian Financial Security Authority's workforce planning process is a good example of a trigger-based strategy.

Use the Right Metrics to Communicate Strategy

Measuring the progress and impact of HR strategy is a critical part of a successful strategy execution, but HR leaders have historically struggled with it when engaging in strategic conversations with their C-suite peers. In a recent survey of HR leaders, we found that one main barrier to effective HR strategy implementation

was a lack of relevant metrics to track progress (see Figure 2).

This barrier is not the result of a lack of data, as very few organizations remain with no visibility at all for their human capital metrics. The problem has more to do with the relevance of the metrics HR functions are using.

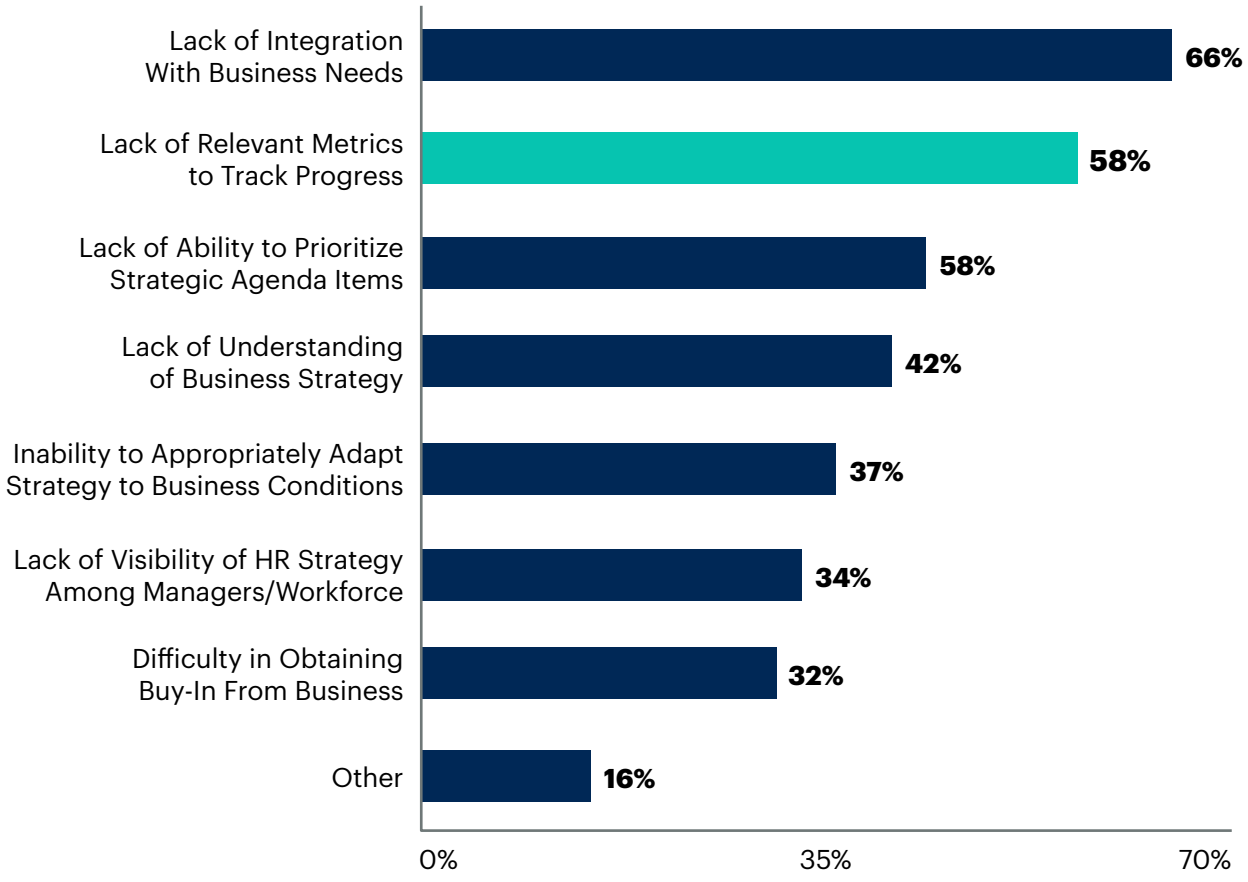
Two types of metrics are used in measuring HR strategy outcomes: those that assess strategic initiatives' operational delivery and those that focus on a strategy's impact on human capital and business objectives. The former are normally reported by tracking delivery to short-term time, cost and quality targets (e.g., time to fill a vacancy, number of hours of training delivered) and are useful for CHROs in analyzing their operations' efficiency. These metrics are used within the HR function to course-correct, prioritize or reallocate resources.

However, when communicating an HR strategy's value and impact to other stakeholders, HR leaders must answer a different set of questions:

- What story is HR telling the board?
- Which problems is the strategy addressing?
- What contribution is HR's strategy making to the success of the business strategy?

In these conversations, HR leaders must align the activities and the metrics they focus on with their organizations' key strategic challenges. They must understand the question that each strategic initiative is addressing and what data will

Figure 2. Barriers to Effective HR Strategy Implementation
Engage in Continuous Dialogue



n = 38 HR leaders

Source: 2020 Gartner Polling on HR Strategy Planning

Q: "Which of the following are the biggest challenges to implementing an effective HR strategy?"

demonstrate its tangible impact. For example, Figure 3 shows the questions and metrics a CHRO might use to track the success of various HR initiatives against the specific organizational challenge of a critical skills shortage.

Align Strategy Upward and Downward

One of the biggest challenges we hear from CHROs is that of prioritizing what feels like an inordinate number of initiatives. It often feels more like a laundry list than a prioritized strategic plan, resulting in some very overwhelmed leaders. Our advice for them begins with alignment: align HR strategy both upward (with business priorities) and downward (with functional priorities).

First, the foundation to strategic planning is aligning HR priorities with broader strategic business objectives. To succeed, CHROs must ensure that discussion of specific business priorities' talent implications is embedded in the business's strategic planning process rather than an afterthought.

Second, HR leaders should ensure their own teams clearly understand the role each of them plays in meeting HR priorities. Traditionally, HR tends to be siloed in its approach to executing on key priorities. For example, the head of DEI may be asked to build out a functional strategy to attract and retain diverse talent, but DEI can't carry out that strategy alone; it needs the rest of the function to support it.

To avoid this obstacle, ensure downward alignment by creating an integrated strategy, in which broader HR goals cascade to each team within HR. Each HR objective likely requires a coordinated effort on behalf of the HR leadership team. During the HR strategic planning process, ensure all HR stakeholders are in the room to collectively identify what the broader objective implies for each of them and what specific actions it requires.

[1] 2022 Gartner HR Priorities Survey. This survey was conducted from 7 July 2021 through 28 July 2021 and includes responses from 572 HR leaders across all regions and all major industries. Multiple HR leadership roles are represented: 38.6% are CHROs, 17% are heads of talent management and the remainder represent other leadership roles in HR. The firms represented include 60.2% with annual revenue of at least $1 billion.

Figure 3. Aligning HR Metrics With Strategic Challenges

Organization Challenge	HR Activities		
Scarce critical skills: It is difficult to source or develop the capabilities the organization needs.	**Sourcing, hiring and mobility:** Does our sourcing strategy target critical talent segments effectively?	**Performance management and development:** What development intervention should we prioritize to develop critical skills?	**Succession management and leadership development:** Are we missing critical skills among leaders and successors?
	Sample metrics: • Labor market availability • Source of hire • Talent pipeline quality	**Sample metrics:** • Competency assessment scores • Training satisfaction or application rate • Training channel mix	**Sample metrics:** • Leadership competency assessment scores • Employee satisfaction with leadership • Business unit performance

Source: Gartner

Quant Corner
Reinvest in the Employee Experience to Drive Engagement

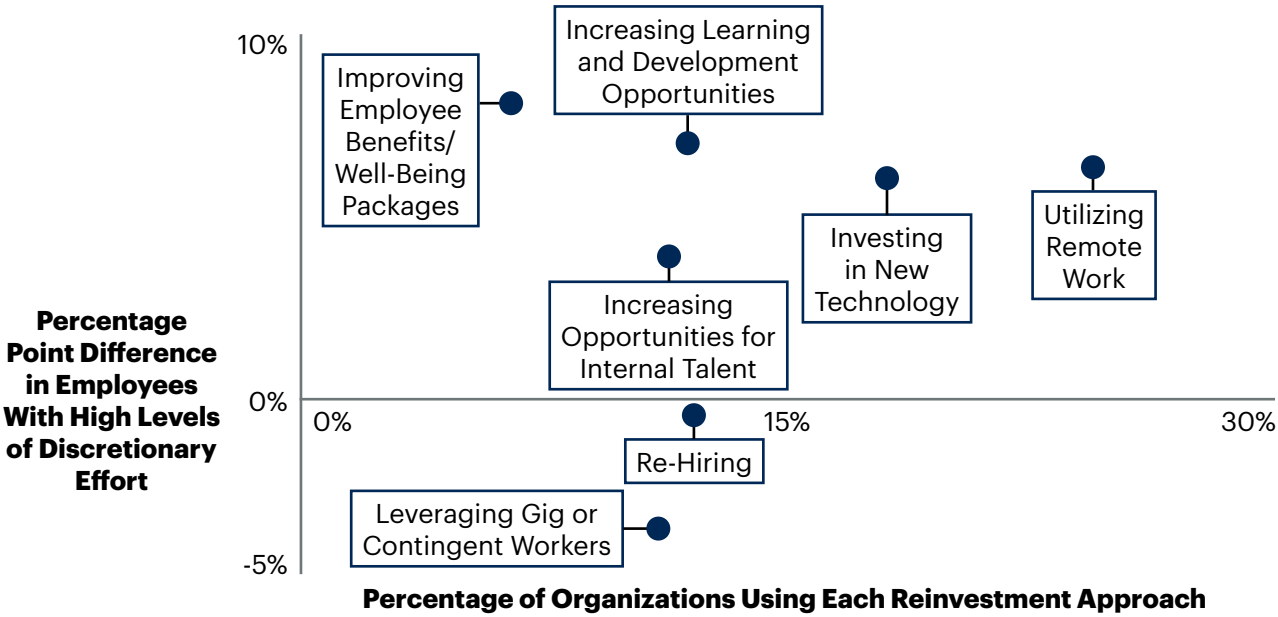
By Peter Vail

In a recent global survey of over 10,000 employees, we found that most organizations are simultaneously pursuing cost cutting and reinvesting resources in talent. While many organizations undertook drastic cost-cutting measures in response to the pandemic, 64% of employees surveyed in the first quarter of 2021 said their organization had made at least one investment after cost cutting. A key question facing HR today is how to prioritize these talent reinvestments.

Our analysis shows that these reinvestments lead to better talent outcomes, particularly employee performance and discretionary effort, when they meet employees' expectations.

Investments that adapt to employees' changing needs and expectations for their employee value proposition (EVP), such as increasing well-being offerings, help to mitigate the negative implications of cost management, which ultimately leads to higher discretionary effort. Investments that are further away from employees' day-to-day work experience, such as workforce restructuring, tend to have a less favorable impact on talent outcomes. As HR leaders decide where to reinvest their resources, they should consider the proximity to employees' day-to-day experience to understand the impact a given investment can have on talent outcomes.

Figure 1. Impact of Organizational Reinvestment on Employee Discretionary Effort



n = 10,730 employees

Source: 2021 Q1 Gartner Global Labor Market Survey

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