

Enhancing Your Strategic Value as a Human Resources Professional: Playing to Win in HR

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Introduction

The notion that Human Resource (HR) professionals need to be strategic and aligned with their organization's strategy is not by any means new. In their book *The HR Scorecard* published almost fifteen years ago, Professors Becker, Huselid and Ulrich noted that "traditional HR skills have not diminished in value, but simply are no longer adequate to satisfy the wider strategic demands of the HR function" (Becker, Huselid and Ulrich, 2001). Since then strategy frameworks and the language of strategic management have evolved. The question is has HR kept up with these, especially in the past year or so?

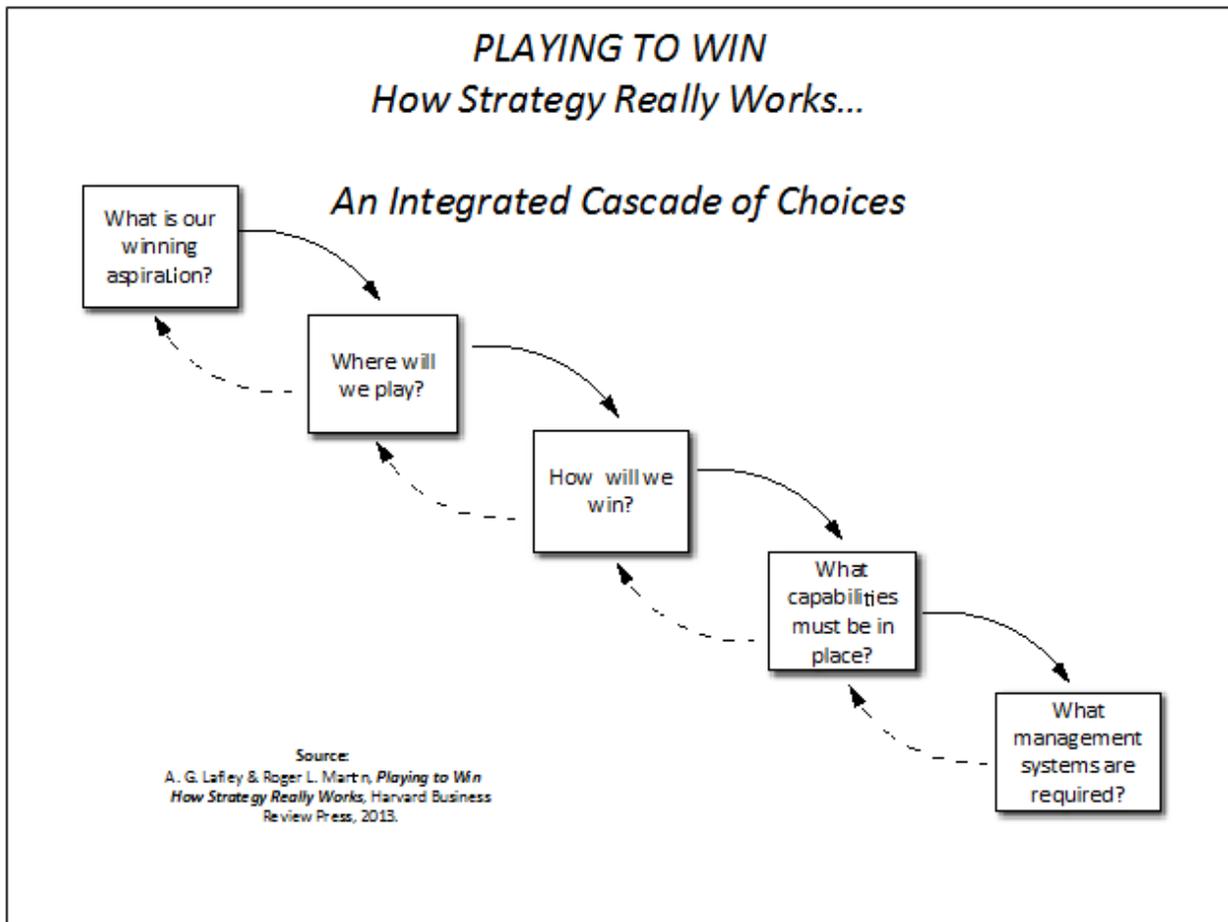
This article is written for HR leaders and explores the HR-related implications of strategy work drawn from a variety of sources but in particular work that grew out of the strategy practice at Monitor Company and subsequently further developed by Roger Martin, former Dean of the Rotman School of Business at the University of Toronto, and A. G. Lafley, former Chairman, President and CEO of Procter & Gamble. Their work *Playing to Win: How Strategy Really Works* (2013) was recently published by Harvard Business Review Press and won the prestigious Thinkers50 Best Book Award (Thinkers50 website, 2014). "Playing to Win" is a down-to-earth, simplified approach to thinking about strategy that is resonating very well with many business leaders. The "Playing to Win" framework is practical, effective and efficient.

Playing To Win – An Overview

The Overarching Framework

Simply put "strategy is about making specific choices to win in the marketplace" (Lafley and Martin, 2013). The overarching framework set out in *Playing to Win: How Strategy Really Works* is represented by an integrated cascade of choices. While it captures many of the elements of other strategic management frameworks that have evolved over the past thirty years, it is more simplified and more intuitive. The cascade involves the five primary choices shown in Figure 1.1 below.

Figure 1.1



This cascade is repeated at each level in the organization beginning with a Corporate-level cascade, followed by a Strategic group cascade, which in-turn is followed by an Individual business cascade ensuring that all three levels are well aligned.



The Five Integrated Choices

The five strategic choices are interconnected with the scope of each choice being shaped to a large degree by the choices that came before. For example a discussion of “capabilities that must be in place” is very situational and clearly a number of choices would need to be made before undertaking a capability assessment / gap analysis. The five choices are as follows:

1. *What is our winning aspiration?*

Having a general sense for the desired state is an important first step in defining the scope of analysis that needs to be undertaken as well as the possible answers to the remaining questions in the cascade. At a very high level this could include consideration of the mission of the organization – why does the organization exist? While useful as a touchstone to ensure the organization remains “on-mission”, a mission statement is too high level to be very useful in making specific strategic choices. A narrower, more specific sense of strategic direction is required which will evolve through refining and stress-testing as more analysis is undertaken. To achieve this sense of strategic direction management will need to already have a reasonably good understanding of the emerging opportunities and threats of relevance in the external environment, as well as a good grounding in the organizations’ strengths and weaknesses. In other words, managers need to be enlightened opportunists. The leadership team should at least have a general sense for what they would like the organization to achieve, understand what the organization is strong at and not so strong at, and routinely scan the environment for opportunities that fit. Armed with this strategic direction (albeit perhaps somewhat rough and untested), the next question in the cascade can then be addressed.

2. *Where will we play?*

This question explores possible choices with respect to the product / market strategies that should be pursued. Questions likely to be asked in this regard include:

- What markets / industries / sectors should we be in? Why?
- What product lines should we focus on? Why?
- What geographic markets should we be in? Why?
- What client segments / target markets should we pursue? Why?
- Narrow or broad market? Why?
- What channels should we employ? Why?

Understanding “why” is an important element of the planning process. If a strategy is ultimately to be presented to stakeholders for buy-in (e.g. the board, employees, industry partners, customers, etc.) the rationale needs to be well understood and compelling. There are many tools and data sources available to analyze and answer the above questions. This

analysis will result in a more rigorous assessment relative to the attractiveness of specific markets, products, geographies, channels etc. The process of exploring these options will also help to provide an enhanced awareness of any internal weaknesses or gaps that may need to be addressed if the strategy is undertaken. Having a sense for where the organization / strategic group “will play” enables the organization to better assess how it may be able to “win” with respect to the products and market choices that were made. “Where will we play” is one of two particularly important areas of choice required to ensure success. The other is “how will we win”.

3. *How will we win?*

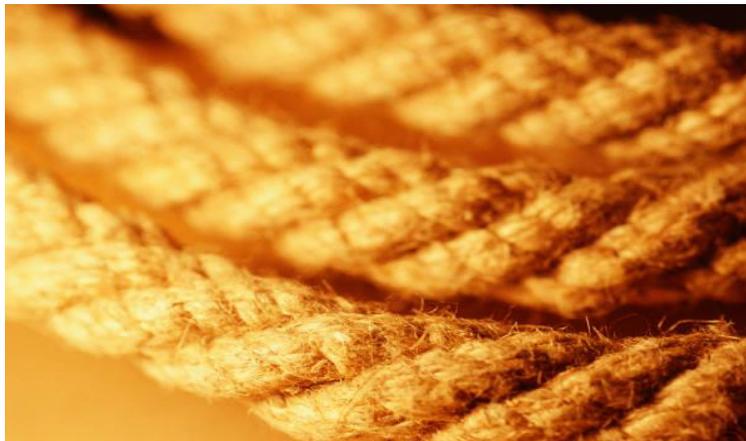
As noted above, “how will we win” is the second key area of choice with respect to successful competition. It is a fundamental one. Once a choice has been made with respect to “where will we play” (even a preliminary choice subject to further investigation) the question then becomes how will we win in the products / markets / channels we have selected. Generically there are three primary competitive strategies: operational excellence, product leadership and customer intimacy (Treacy and Wiersema, 1993). Operational excellence is a requisite condition for companies that want to be successful competing on the basis of price over time. Without operational excellence there can be no low-cost leadership position and competition on the basis of price will not be sustainable. Product leadership is the creation of customer value through the differentiation of products and services due to unique features, benefits and functionality. In some cases “organizational image (i.e. attributes of the image of the organization from the perspective of the key stakeholder, often the customer) and approaches to managing external relationships, can also be sources of differentiation” (Kaplan and Norton, 2001). Customer intimacy involves the organization focusing on a particular niche / sub-market. Its knowledge of that specific segment is so intimate / superior to competitors and its alignment with that segment is so good that combination of value attributes being offered to that segment is difficult for other organizations to compete against.

To be sustainable over time, strategies need to be difficult for other competitors to replicate (Ghemawat, 1997). While competition is external in nature, the ability to compete successfully is actually the result of internal factors that are related to an organization’s resources, value chain activities, and organizational configuration (Thompson et al. 2014). “In most cases successful strategy is not about operational effectiveness (i.e. performing similar activities better than rivals perform them) unless competing solely on the basis of price, it is about strategic positioning (i.e. performing different activities from rivals, or performing similar activities in different ways)” (Porter, 1996).

4. *What capabilities must be in place?*

Once the management team has a sense for its aspirational goals, where it wants to play, and how it is going to win in its chosen markets, the question then becomes “what capabilities must be in place” to be able to win? Some minor realignment may be required due to potential changes in strategic direction, or, at the other extreme a new set of capabilities may be required (e.g. human resources, processes, technology, strategic alliances, marketing / sales, leadership, channels, etc.) Capabilities enable the organization to distinguish itself from rivals as the strategy is implemented. Competitors will of course react to any shifts in the competitive environment. As a result, continual investment in the strengthening of core capabilities will be required in order to sustain any competitive advantage.

The core competence of an organization is generally not related to just one area of strength. It is the integration of reinforcing competencies that creates competitive strength and holds the potential for sustainable competitive advantage. Consider a braided rope.



It is the weaving of various fibers of rope together reinforcing one-another that provides the strength. And so it is in organizations. An organization may begin with one area of unique strength that provides it with a leadership position for a period of time. Without further support, investment or reinforcement, the chance of a competitor replicating that strength over time may be in excess of 99%. For example a company may start with extraordinary people. Over time competitors could hire away those people or invest in their own people until the capabilities within the competitor’s company over take those in the firm that initially had the lead. However by investing in other reinforcing strategic elements (i.e. other strands for rope) the chance of competitor replication / imitation can be substantially reduced. These could include world class learning and development, attractive variable compensation programs, unique employee benefits, fair and meaningful performance management systems, and leading-edge employee development programs. Capabilities are

key to sustaining the ability to win and many of those in some way relate to human resources.

5. *What management systems are required?*

Whenever there is a change in strategic direction, realignment of processes and systems will likely be required as stakeholder value is delivered through operational processes. This realignment potentially includes changes to customer service processes, management information systems, technology platforms, order entry processes, procurement, marketing and sales processes, etc. As employees work within the context of organizational structure, systems and processes, realignment of human resources will also likely be required (Kaplan and Norton, 2001). The failure to make these realignments will potentially result in a failed implementation and sub-optimal performance. A change in organizational structure and the degree of centralization / decentralization are common necessities of strategic realignment. These would clearly have significant human resource implications.

“Playing to Win” is an Iterative Process

The five strategic choices are interconnected. The choices made at one level have an impact on the scope of the choices that follow. This is not to imply that the model is linear in nature. In fact it is a very iterative process. As the strategy process evolves and as additional knowledge and insight is gained through dialogue and analysis, it is frequently necessary to revisit the earlier choices. The process can be very iterative and sometimes even chaotic as deeper insights are gained. “The five strategy questions and the relationship among them can be understood as a reinforcing ‘choice cascade’ with the choices at the top of the cascade setting the context for those below, and the choices at the bottom influencing and refining the choices above.” (Lafley, Martin and Reil, 2013).

The Need to Monitor and Reassess

Approaches to monitoring success in implementation can vary widely depending upon the nature of the specific situation (Yousie, 2006). Examples of some monitoring tools include: performance scorecards, pro-forma financial and operational targets, quality control parameters, market-share metrics, progress against planned critical-path and timeline activities, etc. The key point is that strategies are built upon assumptions. Some assumptions may ultimately prove to be incorrect. Strategic thinkers are aware of the assumptions that are inherent in their strategies and establish appropriate monitoring systems to test the validity of their key assumptions as implementation progresses. Monitoring of results will sometimes indicate that a minor tweaking of the implementation plan or strategy is required. On occasion

however, feedback will indicate a serious flaw. In these cases a major reassessment involving various stages of the framework will be required.

What are the Implications for Human Resource Professionals?

So what are the conclusions, implications and possible next steps for Human Resource professions? An abbreviated summary is as follows:

One Consider Reading The Book: Firstly if you have not already done so, you may want to consider reading *Playing to Win How Strategy Really Works*. Chances are at least some members of your leadership team already have.

Two Try It With Your Team: Consider how you might apply the “Playing to Win” framework within your own Human Resources team to understand it better and model it for others. The overarching framework can be effective in staff-department settings and in not-for-profits as well as in corporate/business settings.

1. *What is the winning aspiration for your team?* (e.g. Do you have one? Does everyone on the team understand and buy-in? How could you engage others on the team in developing this?)
2. *Where should your team be playing?* (e.g. What areas of HR focus / activity should be emphasized? Are there specific business units or key geographic areas that warrant additional attention?)
3. *How will your team “win” in the areas that it wants to play?* (e.g. are there specific “value attributes” associated with the products or services you offer that should be emphasized? Are there partners you can lever to assist in adding additional value? Does your team have the image and relationships to be successful or is enhancement required?)
4. *What capabilities must be in place?* (e.g. Do you have the necessary capabilities now or do you have any gaps? How can you close the gaps? What would it take to do this? How long would it take? Will there be any residual risks if you are not able to get all of the capabilities to the necessary level? What are the implications of that?)
5. *What management systems are required?* (e.g. Do you have the right organizational structure within the team? Do you have a suitable organizational culture within the team? Do you have the right information, technology, development, recruitment, reward & recognition systems, etc.?)

By thinking about and trying to apply the “Playing to Win” framework in your own department, you will gain insights that may help you better understand how this could be applied within the client groups your team serves and/or more broadly across the organization.

Three Consider Introducing “Playing to Win” in Your Organization: If the leadership team at your organization is not familiar with the “Playing to Win” material you may want to consider appropriate ways of introducing them to it.

Four A Particular Focus on Strategic Execution: If members of your organization’s leadership team are already familiar with and have begun using the “Playing to Win” framework and approach, then your HR team should be actively looking for ways to add enhanced value in the strategy process. While there are interdependencies among all five questions as discussed earlier, broadly speaking the five “Playing to Win” questions could potentially be divided into the following two parts:

Part One – Strategy Formulation

1. What is your winning aspiration?
2. Where will you play?
3. How will you win?

Part Two – Strategy Execution

4. What capabilities must be in place?
5. What management systems are required?

A quick scan of the senior executive teams at public companies listed on the S&P and TSX60 indexes indicates that HR is still not represented on the senior leadership team within many organizations. There may be a range of reasons for this and other articles have been written on this topic. The rationale for this is beyond the scope of this article. Having said that, in part because of this absence in representation on the senior leadership team, it can be argued that HR’s current role in strategy formulation may be significantly less than it’s role in strategy execution. This will vary from organization to organization.

To the extent it is enabled to, the HR function should absolutely contribute to the strategy formulation process however, HR’s active participation in strategy execution is essential. Once the senior leadership team has a clear sense of strategic direction (i.e. aspiration, where to play and how to compete/win), HR professionals must fully understand the details and rationale associated with the strategy, align themselves with it, and become fully engaged in strategic execution. There are many ways to do

this and some of these are outlined below.

Five Building Capabilities: Examples where HR can assist in ensuring that the “capabilities that must be in place” are, could potentially include the following examples, among others:

- **Staffing:** Ensuring the organization or sub-unit of the organization is staffed with the “right” employees that possess the “right” skills, as well as the knowledge and behaviours to ensure successful execution of the strategy. Possible alignment activities might include:
 - Hiring & retention
 - Terminations
 - Relocations of key people to key locations
 - Interaction with third-party providers (e.g. search or outplacement)
 - Instituting specific retention strategies for key performers
 - Incentive compensation programs
 - Changes to competency models
- **Shifting the Organizational Culture:** “Organizational culture is the set of beliefs and values commonly held by the majority of people in an organization” (Yousie, 2002). Research has demonstrated that culture can potentially be a competitive advantage and / or a drag on an organization. Depending on the change in strategy, a cultural adjustment may be required (e.g. if there is an acquisition for example.)
- **Coaching:** Through the transition to implementation of the new strategy, leaders, managers and employees will likely require varying degrees of coaching.
- **Training & Development:** Training of the specific technical and operational skills required for employees to perform well in the “desired new state” environment can be important to the success of a new strategy especially if it involves changes in technology, processes or systems. Leadership and management development may also take on enhanced importance if the change process is going to be a lengthy one or if performance expectations are being upgraded as part of the new strategic direction.
- **Communication:** In any type of change management, the need for clear, consistent and frequent communication is essential. Town hall meetings, team briefings, intranet newsletters, the pre-preparation of FAQs (i.e. frequently asked questions)

for managers and staff are all common tools during times when there is a change in strategic direction.

Six **Aligning Management Systems:** Examples where HR can assist in ensuring that the “the required management systems are in place” could potentially include the following examples, among others:

- **Realigning the HR Function:** Depending on the “Playing to Win” strategy that evolves from the cascade of choices process, it is possible that the current capabilities of the HR department may need to be augmented or realigned to meet the needs of the new organization. If so, this needs to be done early to ensure that HR can assist in leading any organizational change that is to be undertaken, rather than being a source of inertia.
- **Organizational Restructuring:** As “structure follows strategy” (Chandler, 1962) whenever there is a change in strategy there is a need to review the current state structure with a view to identifying any changes that may be required. These changes could impact span of control, reporting relationships, the degree of centralization versus decentralization, etc.
- **Integrating Mechanisms:** As most HR professionals already know, in large organizations centralization can work to a point however “higher-level managers can become overwhelmed by the volume of work required to coordinate activities and the organization must rely on formal or informal integrating mechanisms to help achieve coordination” (Hill, 2012). There is an important role for HR in creating and facilitating these integrating mechanisms.
- **Performance Management:** One of the mantras of the Balance Scorecard (Kaplan and Norton, 1996) work that has evolved since 1992 is that performance measures should be used to proactively motivate the right behaviours and choices within the organization. The measures that are appropriate for one set of strategies may be very inappropriate for use when the strategic direction shifts. In this case realignment will be necessary.
- **Reward and Recognition Systems:** In similar fashion to performance management, reward and recognition systems may require tweaking or significant change depending on the answers to the five questions in the “Playing to Win” cascade.
- **HR Information Systems:** Again depending on the specific nature of the strategic

direction that evolves from the strategic planning process, better or new types of HR information systems may be required. If new performance measurement or compensation variables are being introduced to align with the new environment, then it is quite possible that the types of information HR has been collecting and using may no longer be adequate for the needs of the organization.

- **Workforce Management Systems:** With a possible change in strategic direction, changes may be required to the organization's workforce management system. As part of this new learning and development systems, different approaches and technologies may be needed.

Conclusion

It has been reported that "financial analysts and portfolio managers attribute an average of 35% of their valuations to non-financial intangible assets and that at least seven of the top ten non-financial variables they take into consideration are related to human resources" (Becker, Huselid and Ulrich, 2001). When organizations undertake strategic change it is to add value to the stakeholders they serve. In the case of for-profit firms, this is shareholders and customers. Given the importance of human resources in creating value for the organization as noted above, it is essential that the HR department positions itself to add value to the strategy formulation, and especially the strategy execution processes of the organization.

In this article we have promoted the merits of the *Playing to Win: How Strategy Really Works* work by Roger Martin and A. G. Lafley. After more than 30 years of teaching strategic management to graduate and undergraduate students and working within organizations, we have found this to be the most practical, intuitive and effective approach to strategy that leaders can employ within their organizations. Having said this, notwithstanding which approach to strategy is used, HR has an essential role to play.

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