A roadmap for developing functional strategies

Thomas Bertels, the managing partner of Valeocon Management Consulting and *Charles Depasse*, the former head of HR and operations for Nycomed explore the strategies needed for a successful company.

Corporate strategies are important to define the overall direction for an organisation. But how do we make sure the strategies for the various functional areas (manufacturing, human resources) are aligned with the overall direction of the firm as usually defined by its corporate strategy? This article describes an approach for formulating a strategy for a functional area that is developed and owned by the functional leadership team and helps address the key question: How do you create a functional strategy that effectively supports the corporate strategy while also achieving the specific operational objectives the function is expected to meet?

ALIGNMENT AND OWNERSHIP

The reality in most large organisations is the strategies for the various functional areas are rarely well aligned with the overall corporate strategy and other functions. Not only does a lack of alignment result in wasting resources on activities and projects that do not support the overall strategy, but in many instances the lack of alignment can hinder the execution of the overall corporate strategy.

The process presented here includes both developing the functional strategy, and ensuring its execution.

By actively involving the functional management in the development of the functional strategy, key managers of

> KPIs are critical to track progress against the overall strategy and to help those leading initiatives keep score on how they are doing

Figure one: HR functions

Grow Emerging Markets	Flexibility to support differentiated (start-up) needs, talent to lead growth
Manage Mature Markets	Help educate and communicate need to change, support re-structuring, help lead change and develop needed competencies
Develop/Launch New Products	Support cross-functional teamwork, develop project execution ability
In-Licensing/Partnering	Develop partnering capabilities, help create internal and external networks
Live Our Values	Role model of values, support values development and diversity of being global
Acquire Businesses	Support due-diligence, structural and cultural integration

that function take ownership of specific work streams and initiatives, ensuring full commitment during execution.

The main stakeholders, e.g. the CEO, peers and other internal customers give their input as to ensure the function is fully geared to meeting their key expectations.

FROM CORPORATE STRATEGY TO FUNCTIONAL OUTCOMES

When developing a functional strategy different sources of information can be used. In most cases the corporate strategy is the first input. In addition stakeholder surveys as well as benchmarks or SWOT analysis can be used.

The key is to ensure the expectation for the function is clearly defined as to meet the expectations of its main customers.

Take the example of a corporate HR function in a mid-size pharmaceutical company: The corporate strategy outlines six strategic objectives. What is the contribution HR needs to make to support the overall strategy?

On the left the corporate strategy, on the right in the corresponding human resources strategy that was developed

In the above example, through the HR strategy development, the apparent contradictory role for HR to support

both emerging markets expansion and mature markets consolidation was clarified. Training in project management and building partnering skills to support was prioritised to support the corporate strategy.

SOLICIT STAKEHOLDER INPUT

Getting input from the CEO and peers on the leadership team is crucial not only to define the expectations, but also to ensure stakeholder buy-in and support. Asking what works and should be further pursued, what new activities should be pursued can yield crucial insights on where to focus.

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Figure two: Satisfaction with services received from HR

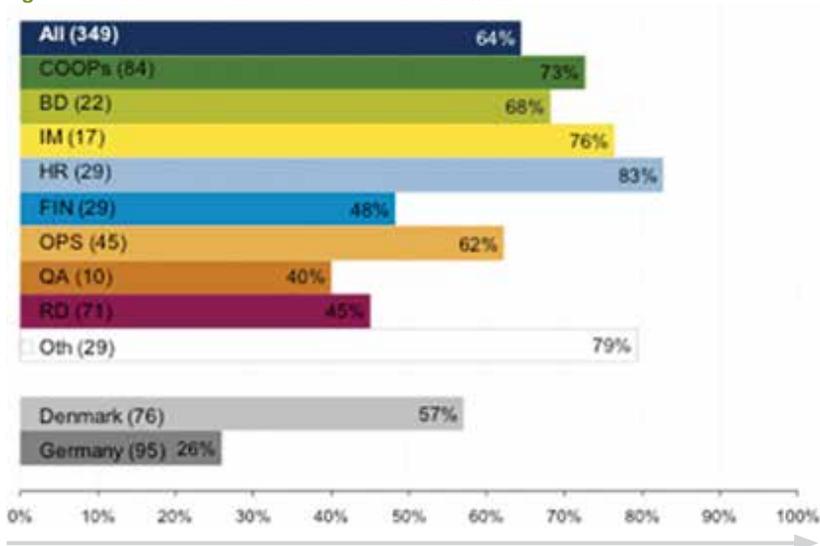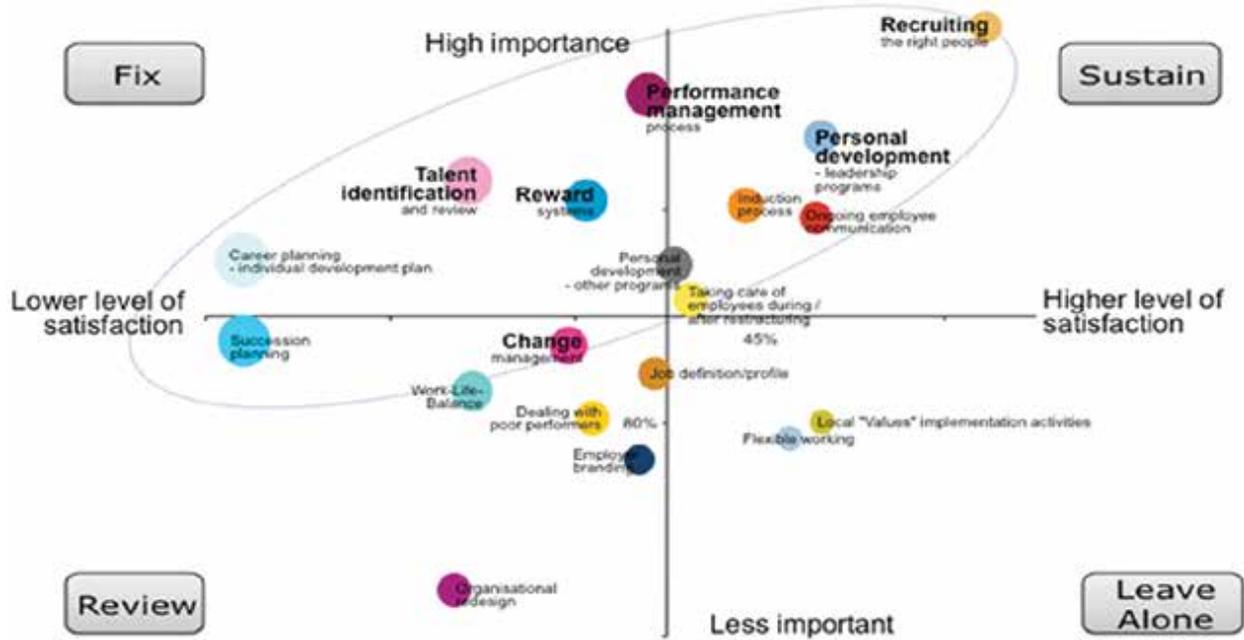|	
All (349)	64%
COOPs (84)	73%
BD (22)	68%
IM (17)	76%
HR (29)	83%
FIN (29)	48%
OPS (45)	62%
QA (10)	40%
RD (71)	45%
Oth (29)	79%
Denmark (76)	57%
Germany (95)	26%

Figure three: Framework of importance

In the example of the HR department, the vice president responsible for HR launched a general employee survey to assess to what extent the function was currently meeting employee expectations as well as identify specific gaps that needed to be addressed. The general survey helped to identify specific areas that needed to be addressed.

Gathering these inputs helps to ensure the functional strategy is grounded in the current reality.

DEFINE STRATEGIC INITIATIVES – MUST ACHIEVES

When it comes to functional strategies, there is typically no shortage of ideas for what could be done. But oftentimes there is only limited capacity to execute on all the ideas.

Focusing on the must-achieves based on stakeholder input was found crucial to focus on the right things and avoid resource drain.

A strategy development process also provides an opportunity to challenge the work currently being done by the
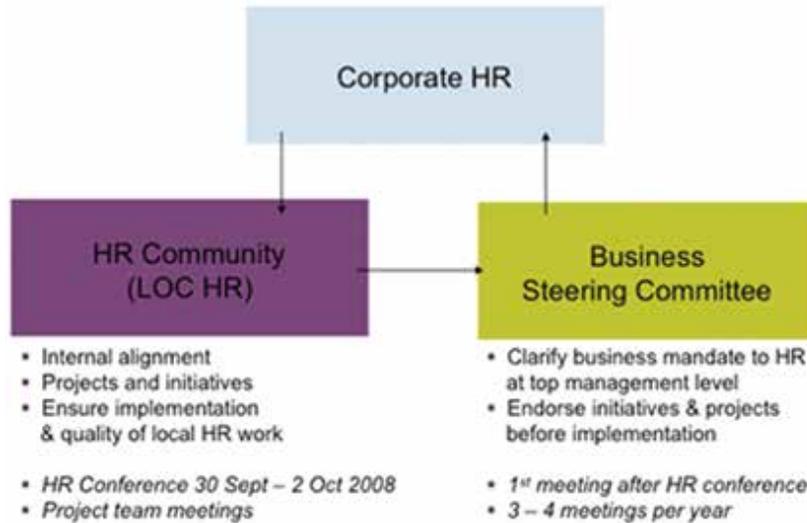
Figure four: Current perception of HR
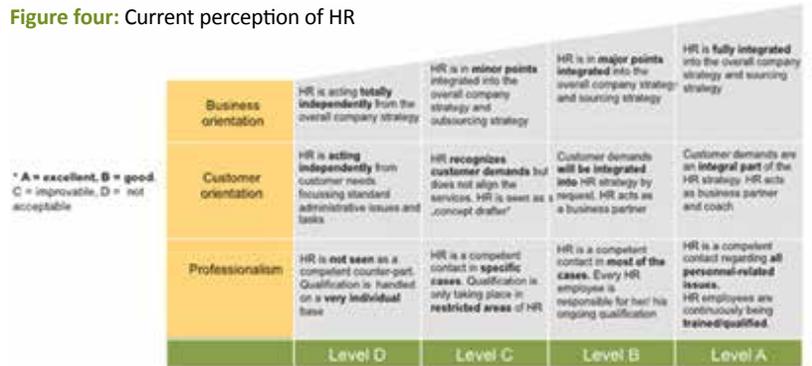
➤ The overall results show that HR in terms of being a strategic partner is between C and B.
➤ The biggest areas for improvement are in the areas of core processes and the usage of tools (standards and IT).
➤ Especially in the clusters "customer orientation" and "professionalism" an A-positioning is seen as the target for the future.
➤ In many cases managers of rather small business units are more satisfied with HR as they can rely on very good Business Partner(s).

function, prioritise the options and ensure buy-in for the chosen initiatives.

Figure three outlines the framework used to evaluate the relative importance and customer satisfaction impact and identify the vital few initiatives the HR function should undertake.

Note in the above how employee branding is positioned low on the chart. Before this functional strategy exercise

Figure five: Outlines the structure used to provide periodic feedback

- Corporate HR

HR Community (LOC HR)
- Internal alignment
- Projects and initiatives
- Ensure implementation & quality of local HR work

- *HR Conference 30 Sept – 2 Oct 2008*
- *Project team meetings*

Business Steering Committee
- Clarify business mandate to HR at top management level
- Endorse initiatives & projects before implementation

- *1ˢᵗ meeting after HR conference*
- *3 – 4 meetings per year*

was done, it was one of the main activities the HR function wanted to engage in. With the insight of this analysis the HR function could refocus on items of higher importance to employees.

CHARTER IMPLEMENTATION PROJECTS AND ACTIONS

When it comes to defining the actions, the 'who' is as important as the 'what'. At its best, strategy development is an invitation to lead – by asking: "Where can you contribute both in your current role and through project work?"

The preferred way to achieve this is to make the strategy development a team effort by involving the management team of the function and to have each member take

Figure six: Things to remember

✓ If you don't have clarity about the overall business strategy - get it.

✓ Get feedback from your peers on what is working well and what isn't.

✓ Clearly define a functions task and measurable outcomes.

✓ Link your functional vision to the company's vision and mission.

✓ Co-create the strategy with your direct reports to build the team, create ownership for implementation and identify stars.

"Creating KPIs and setting up feedback mechanisms helps to maintain alignment and track progress"

personal responsibility for an initiative and to seeing it implemented.

These initiatives should come in parallel to the normal delivery activities of the function, and should require no or very little additional resources, thus fitting within the existing budget.

Some of these initiatives might be of a limited time to a few months while others could become part of a continuing improvement programme.

AGREE ON PERFORMANCE KPIS

KPIs are critical to track progress against the overall strategy and to help those leading specific initiatives keep score on how they are doing. Figure four shows the framework used for assessing the progress made in improving how HR is being perceived by the business.

CREATE A FEEDBACK PROCESS

Developing a functional strategy aligned with the overall needs of the business is one thing. As the business develops and circumstances can change over time, maintaining alignment is important. In addition to a robust set of KPIs, a business steering committee can be a very effective mechanism to maintain alignment and gather feedback. If the functional area has multiple layers (for example global, regional, local), creating a forum for the entire functional community is also a good option. Figure five outlines the structure used to provide periodic feedback.

CONCLUSIONS

A good process for creating a functional strategy delivers both alignment and ownership. Figure six summarises the key lessons learned in the process of developing functional strategies.

Starting with the corporate strategy and gathering input from other functional areas defines the outcomes the strategy must help accomplish and helps to focus on the needs of the internal customers. Inviting the staff to lead and take ownership for specific projects and initiatives is critical. Creating KPIs and setting up feedback mechanisms helps to maintain alignment and track progress.