

# **Strategic HR Emerges as a Company-Wide Priority**



## Executive Summary

**T**he human resource management profession stands at a major crossroads. Discussions have been going on for decades about a more business-driven approach to HR, whether that goes by human capital management (HCM), talent management strategy or strategic HR. Yet a majority of companies and their senior leadership are “just not there yet.”

HR Certification Institute® (HRCI®), with gold-standard HR credentials that demonstrate the mastery of HR knowledge and practice-based experience, commissioned this study to identify the current state of HR and the course forward for a profession that is being asked to contribute much more to the bottom line. The study reflects the opinions of HRCI certification holders as well as non-HR, C-suite leaders and division/department heads.

The results indicate that organizations are ready for a more strategic HR function, one that is more closely aligned with return on investment goals. Regarding the significance of earning a certification in this transforming field, survey participants responded with support of HRCI certification exams. Their focus is on continued and enhanced forms of professional development to keep pace with business management and strategic components, in order to guide them as they adapt to future business and HR needs.

HRCI commissioned this study to answer the question that is on all diligent HR professionals’ minds: When it comes to advancing as an HR practitioner, being respected in the HR community and, most importantly, being recognized as a company leader (helping the C-suite and colleagues achieve the business objectives), **what HR skills and which credentials mean the most?**

### About HRCI Certifications

Earning a credential from HR Certification Institute® (HRCI®) speaks volumes – about you as an HR professional, about the organization you serve and about the employees who put their trust in you. An HRCI certification distinguishes you as a master in the HR field, with proven levels of skills and knowledge, and the competence necessary to mitigate risks and drive business results.

Whether you are an HR expert seeking the Senior Professional in Human Resources® (SPHR®), just starting out and want to prove your HR knowledge by earning the Associate Professional in Human Resources™ (aPHR™), or are focused on global HR practice, HRCI has a suite of proven credentials that are just right for your level of experience.

# Current State – Setting the Stage for the HR Profession, and HRCI

## The State of the HR Profession

The HR profession has reached a crossroads. It's time for HR to make a definitive, industry-wide transition from the perception of being a cost center to the reality of being a strategic business unit, like it already has at many companies. The C-suite also has a role to take a clear and unbiased look at the objective and measurable value that HR can provide, recognize the huge strategic importance of the function and welcome HR leadership into the boardroom. Breakthroughs in technology, some which can either enhance and amplify, or perhaps even replace existing roles and tasks, are also requiring adaptation, or challenging a new HR to emerge.

In *Predictions for 2017: Everything is Becoming Digital*, Bersin by Deloitte observes that digital forces are requiring organizations to rethink how to manage, engage, lead and develop people. Josh Bersin, Principal and Founder of Bersin by Deloitte, Deloitte Consulting LLP, says:

*“The shift in structure changes the way we lead, manage and move people throughout the company. It also pushes us to continuously learn faster than ever. Companies must try new things, such as crowdsourcing in which you obtain ideas, content and services through an online community, rapidly deploy new products and services, iterate, and*

*quickly learn what fails and what works. This customer-centric way of doing business has shifted decision-making to the edges of the company and requires a new way of thinking about management and HR.”*

Despite much agreement that HR can and should be a driving force for business, many HR professionals and non-HR leaders have yet to benefit from this transformation in role and responsibility. Yet, a great deal of work has been done to move the HR field forward:

- Endless academic studies, including several notable corporate experiments have been conducted (with varying results, but enough positive successes to suggest the way forward) (2) (3) (4).
- A few (possibly premature) start-ups and entrepreneurial endeavors to kick-start the changeover to a more strategy-focused HR function.
- A proliferation of consultants and specialists who happily poach various HR functions from without.
- An explosion in technologies that simplify HR processes.

While the movement is positive, the result is that many HR leaders and practitioners (and C-suite) may feel lost as to how to define and build a best-in-class HR function. Which philosophies should they adopt? Who are the teams and players to get there? What are the tangible resources and platforms to achieve success?

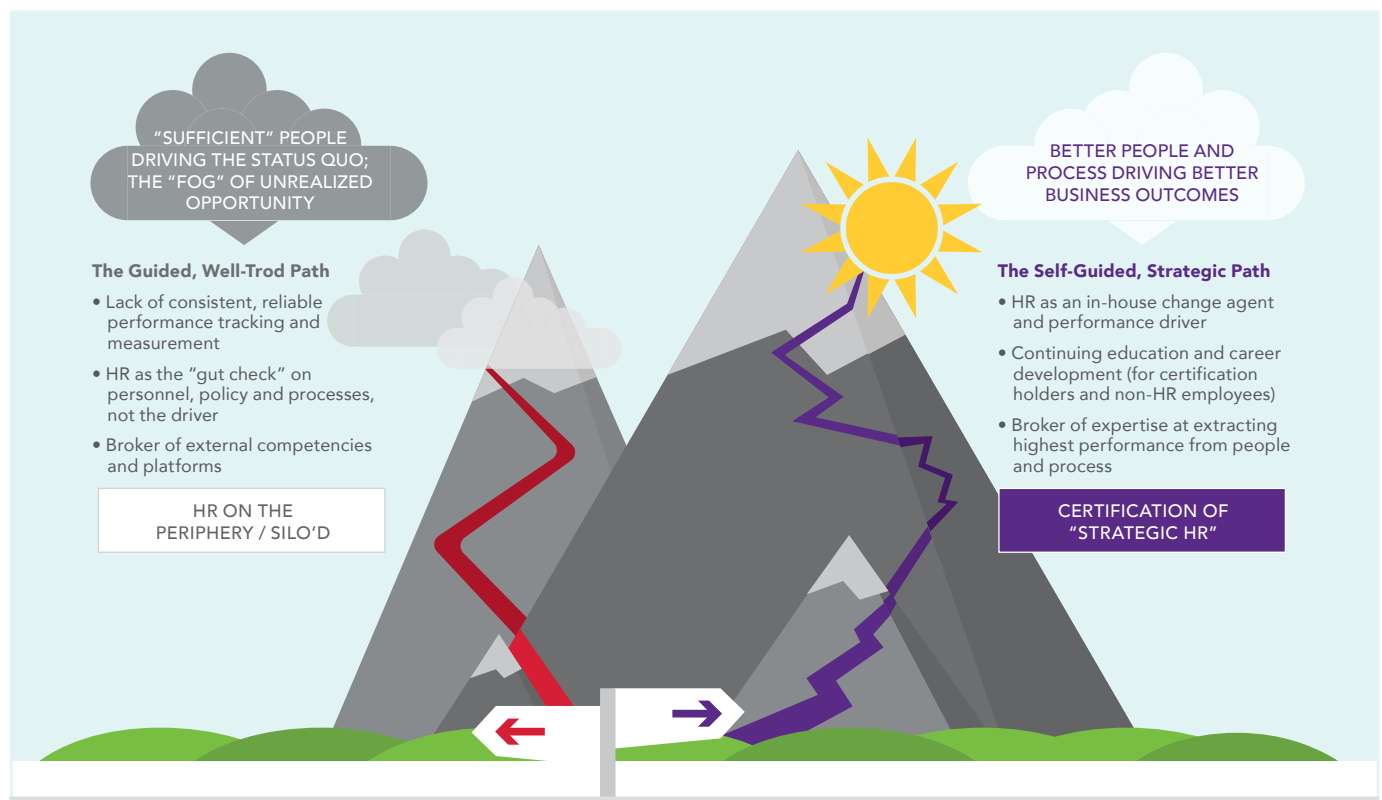
# A Mountain of Opportunity for HR – But Which Path to Take?

Perhaps an analogy will help describe the opportunities ahead for the HR profession, the C-suite and middle management. Consider a mountain with two trails. In one direction lies a well-trod path up the mountain. It is swarming with guides who will, for a price, point the way, carry the luggage and eventually get HR to the “top.” But this is the easy path, with a summit that lacks a particularly distinctive or good view.

In the other direction there is another path, a bit more

difficult and certainly less travelled. There are few guides and it is not clearly marked.

Those who choose this route must prepare for the climb beforehand. They must be in excellent condition or they will fail. They need to have studied the mountain. They must be able to recognize the potential pitfalls. And they must be mentally prepared for the challenge. This path inevitably reaches the top of the mountain on the side with the truly majestic view.



## The Guided, Well-Trod Path

Such are the choices that the HR profession now faces. The guided option is the path of least resistance, and therefore the one likely to be taken by default. It keeps HR leaders and practitioners on the periphery, at times, and perpetuates the status quo as long as the company faces no major trouble or unexpected growth. The “guides” (the outsourced\* experts, specialized consultants and technology partners who are taking on “traditional HR” roles), offer a message

of risk-free, low-effort ease. There will be no brilliant vistas or startling discoveries on this path, but the job will get done competently and cost effectively. Health and welfare benefits will be administered remotely, talent acquisition will be handled chiefly by recruiters and compensation/payroll will continue to be in the purview of ADP and others. That path ends in a fog–

*\*There is, without question, a time and a place for outsourcing. Many functions actually are better done by specialized experts. What ought to be core competencies, however, ought not to be outsourced.*

literally the IT cloud of solutions—where more and more HR activities will be handled digitally by employees and managers.

If that path is chosen, the C-suite will lose out on an incredibly rich strategic potential. Technology and consultants will absorb the HR function entirely. While broader performance metrics may appear to remain steady, a tremendous growth opportunity will be lost. HR leaders and practitioners are held at a distance. The abilities to track and amplify people performance, to strategically recruit and retain talent in alignment with the company's vision and to transform organizations from the inside-out will remain just beyond the CEO's grasp.

### **The Self-Guided, Strategic Path**

The more rigorous path represents the longer, more intensive journey, but also one that's more rewarding. This view provides the C-suite with more strategic HR analysis and outlooks that can be used to maximize profits and unlock the organization's true potential. This path, while requiring greater effort and collaboration, will ultimately enhance business and improve the bottom line. 3

C-suite and HR leaders need to join forces to ensure that the best possible outcomes are achieved. Both sides need to abandon preconceptions and look at the facts concerning the real and potential value that strategic HR brings to the table. The time for action has arrived.

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**Both sides need to abandon preconceptions and look at the facts concerning the real and potential value that strategic HR brings to the table. The time for action has arrived, and as the gold standard for human resources, HRCI is taking a leadership position in driving understanding, engagement and certification of strategic HR.**

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To better equip HR to assist the C-suite in driving more impactful, strategic business outcomes, HRCI believes there are three main trends that call for immediate action:

- Technology continues to advance rapidly and outsourcing as a corporate strategy is increasing in popularity. **What is the right mix of HR technology, HR outsourcing and in-house HR expertise that can provide more strategic value?**
- The HR function, in many corporations, is still seen as a cost center rather than a legitimate participant in strategic business decisions. That perception is slowly being eroded. Talent management has become an industry in itself, and is rightly the purview of HR. **How can the C-suite and HR work together to drive better business outcomes?**
- Outmoded corporate thinking is finally shifting. The customer is no longer widely regarded as merely the lever that moves the demand side of the profitability equation. Today's customers have choices. Likewise, the employee is no longer viewed as merely a resource to be used to achieve what is wanted or needed by corporate management. Employees, like customers, have options. Employees want to be thought of as more than mere cogs in the wheel. They desire to provide input about decisions for, and ultimately drive, sustainable outcomes. **How can HR better address the needs of external customers as well as internal stakeholders?**



# What Do We Really Mean by Strategic HR?

To better understand “current state” HR trends and the “future state” needs of business leaders across multiple industries and organization types, HRCI turned to the best source of answers—you. In partnership with a third-party, independent research firm, HRCI commissioned research on its current certification holders, as well as those working with them in non-HR roles.

Much of the focus of this research is on the long-term viability and desirability of a strategic HR function. The results of this study are based on qualitative exercises (one-on-one, in-depth interviews and online focus groups) and online surveys conducted with two

primary audiences: 1) current HRCI certification holders and 2) non-HR line managers (division and department heads) and the non-HR C-suite (CEOs, COOs and CFOs). The research had three main objectives:

- Assess awareness and favorability towards human capital management (HCM)/strategic HR.
- Identify top expectations of a world class HR certification organization.
- Determine certification needs, wants and expectations as it relates to exam content and accompanying certification features.

	Audience	Methodologies
	<p>Current Certification Holders:</p> <ul style="list-style-type: none"> <li>• PHRs, SPHRs and other HRCI certifications</li> <li>• HR Leaders, Practitioners and Consultants</li> </ul>	<ul style="list-style-type: none"> <li>• One-on-one interviews (N=49)</li> <li>• Online survey (N=1,245)</li> </ul>
	<p>External, Non-Certification Holders:</p> <ul style="list-style-type: none"> <li>• Non-HR C-Suite</li> <li>• Non-HR Division/Department Heads and Line Managers</li> <li>• HR Practitioners (non-HRCI)</li> </ul>	<ul style="list-style-type: none"> <li>• One-on-one interviews with non-HR C-Suite and Line Managers (N=19)</li> <li>• Online focus groups with line managers (2 groups, N=22)</li> <li>• Online survey (N=567)</li> </ul>

## Major Findings

The research revealed several particularly striking findings regarding the future of HR and HRCI:

- The terms human capital management (HCM) and strategic HR are, for all intents and purposes, essentially interchangeable, though there is a small preference for the latter terminology.
- Non-HR line managers and the non-HR C-suite are both largely favorable to being guided by a more strategic-minded HR department.
- Less than a third of companies, according to HRCI certification holders, have adopted some form of strategic HR.

- HR leaders must have basic business and finance acumen, be able to analyze and interpret data, and make decisions that will attract and retain the best talent available.
- HRCI certification holders say focus on strategic HR initiatives should double or even triple in some cases.
- The non-HR C-suite and line managers/division heads agree that there should be more focus on strategic HR initiatives.

*“I would definitely champion [HCM] but the way I would want to present it with my company at least is to show how it results in a better product, which would be the customer work that we do and hopefully more revenue per business unit. That’s what they’re going to look at and that’s what they’re going to jump at.”*

– Line Manager (Focus Group Setting)

### **In-Depth Review**

Not surprisingly, labels (“HCM” or “strategic HR”) are not nearly as important as engagement, education and the outcomes achieved, both from the perspectives of a C-suite leader and those in the HR function.

The definition of human capital management provided was: “An approach to employee staffing that perceives people as assets (human capital) whose current value can be measured and whose future value can be enhanced through investment.” (5) The clear implication is that HR is not a cost/hassle center, but rather the purveyor of a form of capital that can be used to the advantage of and for the growth of the corporation. Moreover, HR can measure success and failure, and can thus also coach up, coach out or do whatever else may be necessary to increase the value of the capital investment.

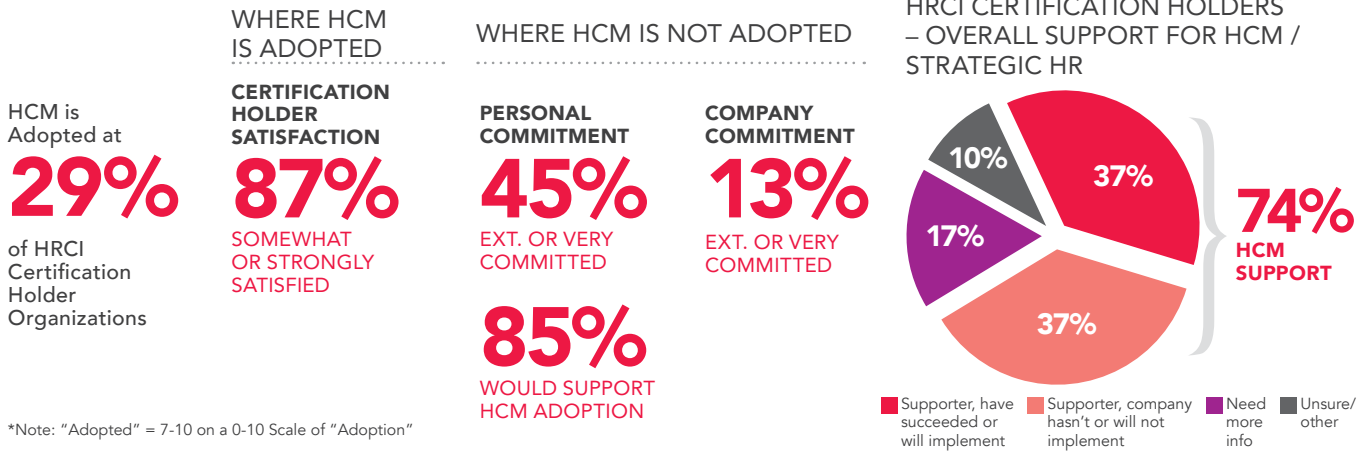
The underpinning concepts of HCM were viewed as especially attractive to the C-suite. It is reasonable to conclude that the executives in the boardroom would willingly move over to make room for a new seat if the occupant of that seat could, in fact, produce the desirable results that seem to be generally regarded as well within the realm of possibility.

As the figure on page 8 demonstrates (“Adoption, Satisfaction, Support Cascade”), less than a third of companies represented by HRCI certification holders have adopted some form of HCM or strategic HR. Interestingly enough, non-HR respondents (C-suite and line managers) reported slightly higher adoption (their threshold for what “counts” as strategic HR may be lower than experienced HR professionals). Either way, satisfaction with the results of adoption is nearly unanimous. Among those companies where HCM has not been adopted HRCI certification holders tend to support strategic HR more than non-HR audiences, suggesting a need for awareness and education outside the HR profession.

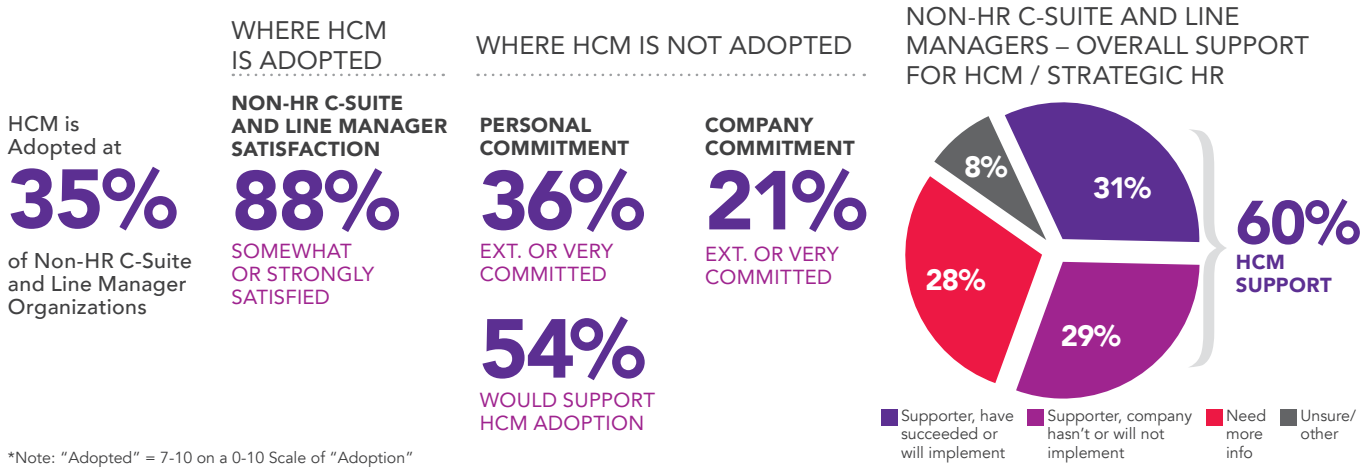


**ADOPTION › SATISFACTION › SUPPORT CASCADE**

**HRCI CERTIFICATION HOLDERS**



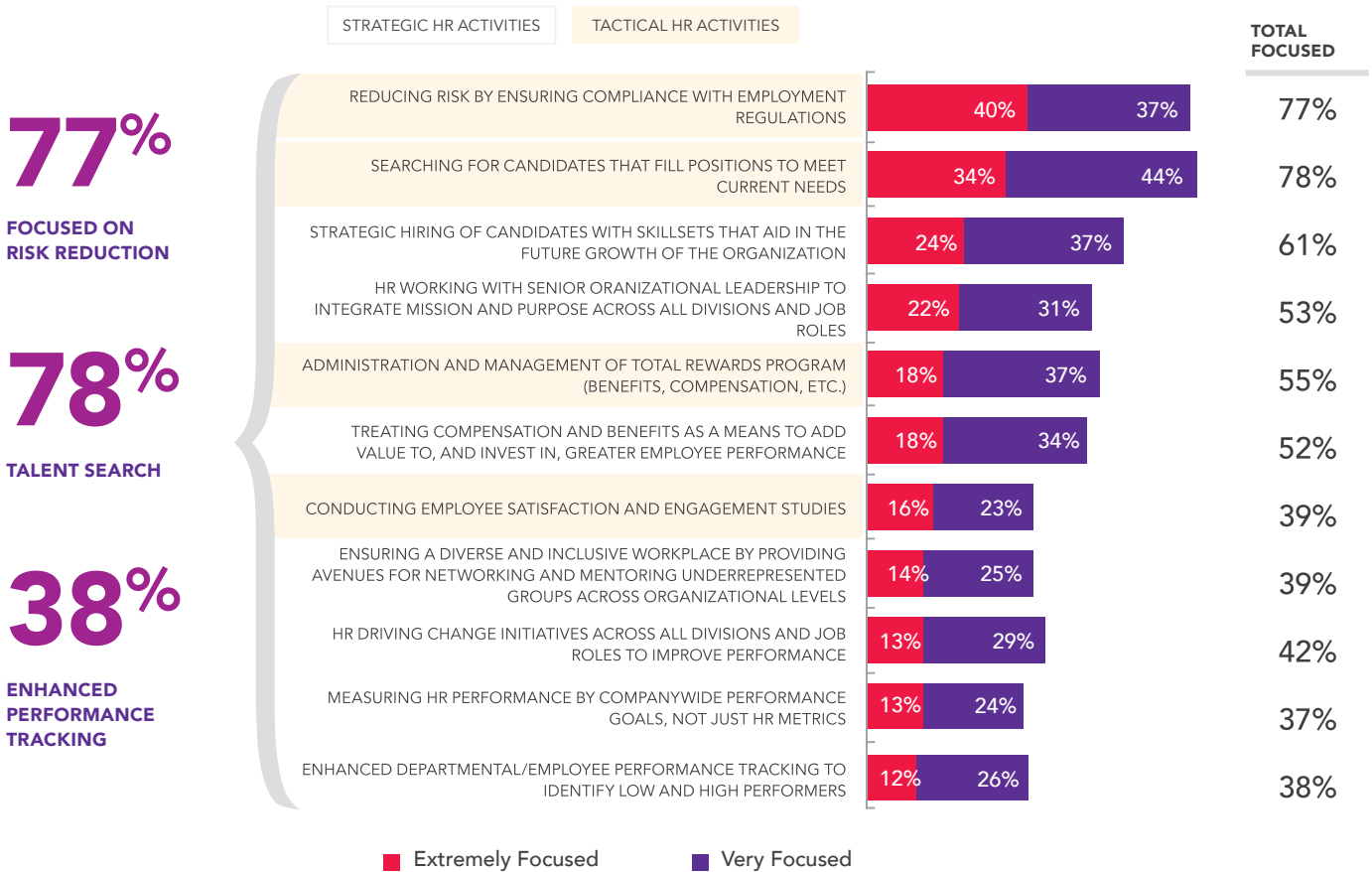
**NON-HR C-SUITE AND LINE MANAGERS**



Perhaps the most important takeaways from the perspective of non-HR corporate leadership are for HR leaders to be able to:

- Absorb and build upon Profit and Loss Statements.
- Exhibit basic business and finance acumen.
- Interpret big data analytics and turn it into useful information.
- Participate in discussions with the C-Suite to make the best possible decisions to attract and retain the best talent available.

## IN THEIR WORDS, WHAT ARE TODAY'S HR LEADERS/PRACTITIONERS MOST FOCUSED ON?



Another notable finding came from the current HR certification holders. They were asked how much time they focus on a set of HR activities (four of which were basic block-and-tackle activities that are characterized as more tactical, and seven of which were activities regarded as more strategic in nature). After initially being asked how much they focused on each activity, they were then exposed to the aforementioned definition of HCM (or strategic HR), and asked how much they would now focus on these same activities after having read more about strategic HR.

The results were revealing indeed, suggesting wide openness to moving towards a more strategic approach to HR. For each of the seven more strategy-focused HR activities mentioned, current HR certification holders would at least double, and in several cases nearly triple their focus on the prescribed activity.

The same was asked of the non-HR C-suite and line managers/division heads, with the results presented below for comparison.

## AND HOW EFFECTIVE ARE HR LEADERS/PRACTITIONERS PERCEIVED TO BE?

### AMONG HRCI CERTIFICATION HOLDERS

TACTICAL/  
ADMINISTRATIVE  
ACTIVITIES

**63%**  
"EXTREMELY" OR  
"VERY EFFECTIVE"

STRATEGIC  
ACTIVITIES

**47%**  
"EXTREMELY" OR  
"VERY EFFECTIVE"

### AMONG EXTERNAL AUDIENCES – GENERIC HR EFFECTIVENESS

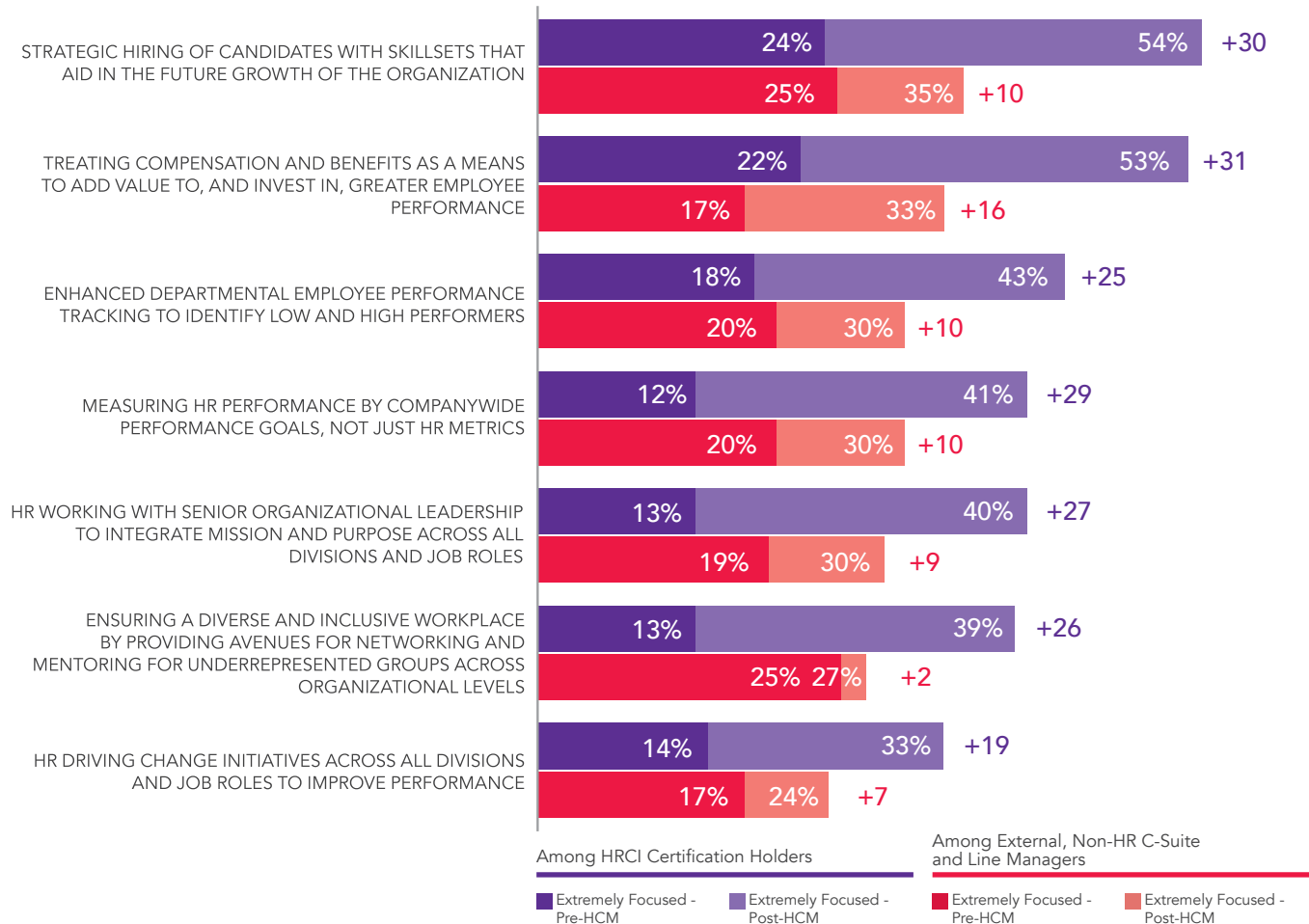
AMONG NON-HR  
C-SUITE

**66%**  
"EXTREMELY" OR  
"VERY EFFECTIVE"

AMONG LINE  
MANAGERS (DIVISION/  
DEPARTMENT HEADS)

**51%**  
"EXTREMELY" OR  
"VERY EFFECTIVE"

## HR FUNCTIONS & PRIORITIES – PRE-STRATEGIC HR DISCUSSION AND POST-STRATEGIC HR DISCUSSION

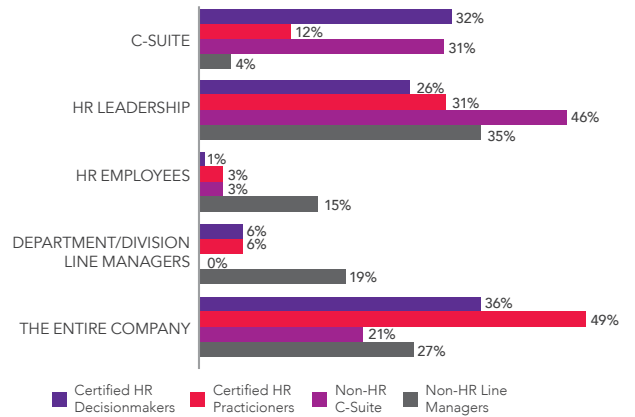


## Additional Findings

Some other interesting discoveries in the research include the following:

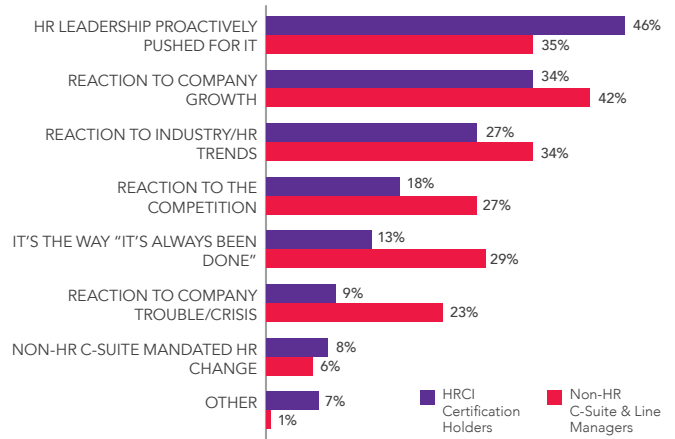
- When asked who is responsible for strategic HR/HCM, HR leadership believes the burden falls equally on themselves, and “the entire company.”
- The non-HR C-suite, by contrast, believes that most of the responsibility falls on HR leadership. This represents quite a disconnect, and may help explain why less than a third of companies have adopted some form of strategic HR, even though most people support its core principles and outcomes.
- Among certification holders, the top-cited factor contributing to the successful adoption of HCM or strategic HR was HR leadership’s role in proactively pushing for it. Company growth was cited as second most important factor.
- Notably, among non-HR audiences, a reaction to company growth was cited first and foremost, with a statistical tie between HR leadership influences and a reaction to industry/HR trends. In other words, seven-of-ten non-HR respondents were either listening to HR leadership, or listening to industry research. For those companies where strategic HR/HCM hasn’t been adopted, it’s evident that the C-suite will listen, particularly so if the concepts are presented with supporting evidence and a corresponding bottom-line impact.
- On the other side, some of the top obstacles to adopting strategic HR included companies spending too much time reacting to trouble in crisis mode, a lack of appetite at the C-suite level and a status-quo mindset (“it’s the way it’s always been done”). Non-HR audiences were particularly susceptible to the status quo mindset, but were near equally likely to blame a lack of drive at the HR leadership level and the current HR staff not being a “good fit.”
- It’s clear that if times are good, and in an up-economy, business owners and organizational leaders should be seizing the moment to enhance their human capital philosophy. The first step is building an HR function of like-minded, strategic HR professionals, and setting forth a concerted HR business strategy to influence the C-suite and inspire the entire company.

## WHO IS RESPONSIBLE FOR STRATEGIC HR/HCM?



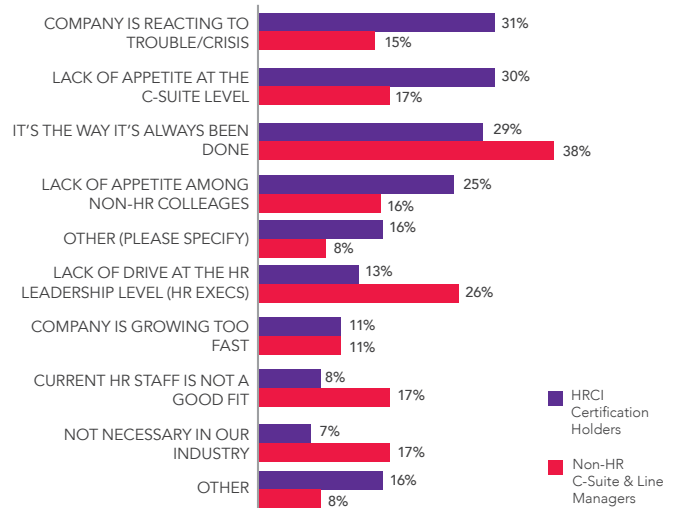
## FACTORS CONTRIBUTING TO STRATEGIC HR/HCM ADOPTION

(ASKED ONLY WHERE STRATEGIC HR/HCM WAS ADOPTED – MULTIPLE RESPONSES ACCEPTED)



## FACTORS CONTRIBUTING TO STRATEGIC HR/HCM ADOPTION

(ASKED ONLY WHERE STRATEGIC HR/HCM WAS NOT ADOPTED – MULTIPLE RESPONSES ACCEPTED)



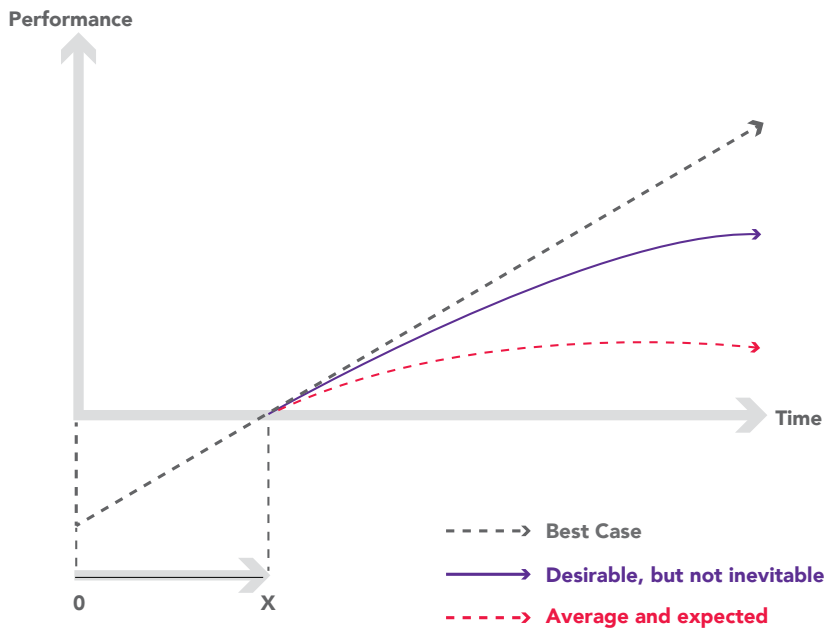
# A New Business-Results Paradigm for HR

HR must answer the call to develop a more strategic paradigm. Many real-world examples and case studies prove that it is possible, but there is also a vast body of evidence to suggest that it is not inevitable. HR cannot simply declare itself worthy and expect to be welcomed into the C-suite. HR must prove that it can effectively make the transition from cost center to profit center.

In order to accomplish this transition, it might be well to consider a lesson on break-even analysis from Econ 101, tailored specifically to the world of HR. To earn more respect, HR must develop a new perception as a productive business unit, with its own business drivers, and not just a service unit. This also means

constructing more meaningful HR metrics to both track and predict success. Such metrics might fall into such areas as Time to Break-Even for different categories of employees, with goals and strategies for reducing that time. Or raising the Performance line from average and expected (see the dotted red line below) to desirable and accomplished (see the green line below). By accomplishing these two goals, for example, perhaps Talent Retention Time could be stretched and made more predictable. Such metrics have a measurable (and potentially impressive) impact on the bottom line.

**The result: HR becomes viable and invaluable. HR becomes a profitable business unit, with a key to the C-suite.**



*“The biggest characteristic in an HR hire I look for is intellectual curiosity. I say that because in HR it has a tendency to attract people who want to take care of people – but the reality is that HR is a role in an organization that has to be intellectually curious – see something, recognize it is an opportunity or problem, do everything to try to figure out what it is about.”*

# HRCI Commitment to HR as a Strategic Business Driver

As this research suggests, there is a strong need for HR professionals with HCM or strategic HR competencies. Further, non-HR audiences are in alignment with their HR colleagues in recognizing this need.

This is not just a mandate for HR, it is also a mandate for the C-suite and line managers to train, learn and apply more strategic HR initiatives.

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HRCI is committed to ensuring that HR strategic competencies are more universally adopted. Specifically, HRCI is dedicating its resources in three important ways:

1. Advance examples of HR leadership that's interconnected with business and all major business functions.
2. Drive the HR community to become more well-rounded by strengthening its business, finance and marketing acumen.
3. Continue to expand and grow HRCI certification and professional development programs to enhance HR's analytical, business and strategic competencies.

The new HR must be viewed as a more reliable strategic business partner, an effective strategic counselor and a contributing member of the executive

boardroom. In the years ahead, HRCI will help the HR community strengthen its business acumen, including continuing education guidance that emphasizes basic finance skills, and the profession's analytical expertise to create desired business outcomes.

HRCI will continue to keep pace with the changing needs of HR professionals and the organizations they serve. HRCI will continue to reflect and support what HR leaders do and aspire to do, with certification programs and continuous learning opportunities to meet the new strategic demands of C-suite executives, line managers and all the people who help organizations succeed.

In short, HRCI is about making organizations and people better. For the HR community, now at a crossroads, that means greater emphasis and interconnection with business and customer outcomes.

# Appendix

## ABOUT THIS RESEARCH

HR Certification Institute® (HRCI®) commissioned Brightline Strategies, an independent, third-party research and communications firm, to complete the research contained in this report. Data was collected between February and June of 2016, and included a number of audiences, including HRCI certification holders in the HR profession, non-certification holders in the HR profession, and non-HR C-suite and line managers, as detailed below. Information was collected via qualitative and quantitative approaches, and all external (non-certification holder) audiences were qualified and surveyed via third-party panel providers.

## PRIMARY RESEARCH SOURCES

### HR INDUSTRY QUALITATIVE RESEARCH (IN-DEPTH INTERVIEWS)

Audiences	Certified HR Practitioners (PHRs) – N=20 IDIs Certified HR Consultants – N=10 IDIs Certified HR-Oriented C-suite (SPHRs) – N=19 IDIs
Dates	February – March 2016
Study Definition	Conducted 30-40 minute one-on-one telephone interviews with certification holder professionals/leaders
Summary/Objectives	1) Determine what comprises a world-class HR function (breakouts for “tactical” vs. “strategic”) 2) Explore feasibility of human capital management/strategic HR 3) Understand perceptions of certification credentials, curriculum and HRCI programming

### EXTERNAL (NON-HR/NON-CERTIFICATION HOLDER) QUALITATIVE RESEARCH (IN-DEPTH INTERVIEWS AND FOCUS GROUPS)

Audiences	Non-HR C-suite Executives – N=11 IDIs Line Managers – 2 Online Focus Groups of N=11 Line Managers Total Line Managers – N=8 IDIs
Dates	February – March 2016
Study Definition	Conducted 30-40 minute one-on-one telephone interviews with non-HR professionals/executives and two online focus groups
Summary/Objectives	1) Perception audit of HR function and HRCI from non-certified C-suite and decisionmakers 2) Value behind “strategic” HR professionals, and effect/outcomes of certified HR professionals 3) Assess the degree to which HR strategy affects achievement of companywide and departmental objectives

## HR INDUSTRY QUANTITATIVE RESEARCH (ONLINE SURVEY)

Audiences	N=767 complete surveys, and an additional N=478 partial surveys among the certified HR professional/ leader population
Dates	April 28, 2016 to June 3, 2016
Study Definition	HR function gap analysis and study of current certification holders
Summary/Objectives	<ol style="list-style-type: none"> <li>1) Understand views on the “current state and practice” of human resources across various industries and professional/leadership levels</li> <li>2) Assess the extent to which HCM/strategic HR has been adopted at certification holder organizations, as well as corresponding perceptions, satisfaction and willingness to engage</li> </ol>

## EXTERNAL/NON-CERTIFIED QUANTITATIVE RESEARCH (ONLINE SURVEY)

Audiences	N=571 complete surveys collected from a panel of non-HR certified stakeholders (non-HR C-suite, line managers and non-HRCI certified HR practitioners)
Dates	May 18, 2016 to June 20, 2016
Study Definition	HR function gap analysis and study of non-HR company leadership – “blinded” study in that it made no mention of HRCI as the source/research sponsor, and respondents were recruited from external panels based on not having HRCI certifications
Summary/Objectives	<ol style="list-style-type: none"> <li>1) Test awareness/views on HR function, current effectiveness and HCM/strategic HR feasibility</li> <li>2) Understand critical HR focal areas, potential gaps in current performance and appetite for future enhancement through strategic HR and ancillary services</li> </ol>



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