

# Strategic HR: A guide to making a difference for your people and the bottom line



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# Introduction



A lot has changed in the past few years in the world and at work. As people and organizations shift their perspectives and adapt to developments, HR is often tapped to handle much of this change.

Strategic HR connects the dots between technology, people, business objectives and delivering great products and services to clients.

Where, when and how we work continue to change. How do we use change as an opportunity for HR to take on a more comprehensive role that's as good for business as it is for people?

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# 1

## What is strategic HR?

### What is strategic HR?

HR is the heart of the organization. It has responsibilities related to every aspect of culture, work and people.

At the same time, people (compensation and benefits) are one of an organization's biggest expenses. Senior leadership and finance often regard HR as a cost center instead of fundamental to the existence and health of the organization.

These competing views of HR have meant that HR has had a tremendous responsibility to keep an organization running. Meanwhile, budget and resources tend to go to revenue-generating functions, such as sales.

It's a little like giving a superhero great responsibility but not enough power to save the day. It's a marvel they get anything done.

This is changing.

### Encouraging developments

Innovative technology, information and the ability to combine people data with finance data can give us a broader and deeper understanding of the whole organization. Think radar, enhanced intelligence, x-ray vision and equipment worthy of a spy movie.

When you combine these abilities and tools with real-time data, it becomes possible to change the workplace in ways that help your people and that provide HR with insights that help senior leadership understand what's happening and plan for what's coming.

While HR probably won't ever generate revenue, it can make a financial difference with information and tools that help organizations save money and allocate the money they spend more effectively.

Strategic HR is looking at the bigger picture, figuring out what matters and using information, tools, principles of inclusion and wellness to make a difference for your people and the bottom line.

### How it started and how it's going

In the days of the personnel department, HR was primarily administrative. It handled payroll, employee records and forms and was brought in to assist with employee complaints and disciplinary issues. As technology and the world has changed, so has HR.

Even essential functions, such as payroll, have changed dramatically. Many no longer go around the office to hand out paychecks, and employees don't have to take them to the bank unless they feel like it.

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Still, no matter what happens, HR must get people paid correctly and on time. Hurricanes, floods, power outages, wildfires and pandemics are just a few crises HR professionals have navigated in the last few years. Thank goodness for direct deposit and mobile applications.

## The expansion of HR

Technology has allowed the role of HR to shift from process to people. HR's role has expanded to include organizational culture, diversity, equity and inclusion (DE&I), employee engagement, employee wellness, corporate responsibility, employer brand and navigating fast-changing technology and compliance landscapes.

Now, HR is involved in every aspect of the organization. It's time to add strategy because HR is uniquely positioned to identify and understand the business's and its people's needs.

Meanwhile, technology has changed what people do at work, how they do it and how it connects to the rest of the organization. We've spent the last decade improving how computers work and building technology based on what we could measure. Remember big data? Now we're making those tools more effective for how people work.

## Expert insight

"A good people analytics system should humanize your analytics. Every number is a person."

—**Amin Venjara**, general manager of data solutions, ADP

## Humans at work

Today, restaurant servers have handheld devices that record orders, send them to the kitchen and take payments. Mechanics use sophisticated computers to diagnose and help them repair cars. Robots assist in manufacturing and construction. Behind all the computers, there are more computers monitoring, tracking inventory, predicting needs and assisting people with connecting and communicating.

And don't forget the device in your pocket with more computing power than the enormous mainframe computers that sent people to the moon. We use our phones for everything, including work. Sometimes, we develop tools to do specific work. Often, the tools we develop change the work that we do.

Computers have become so ingrained in everything that sometimes it's hard to remember that computers and humans are very different in how they work, the appropriate roles they play at work (and everywhere) and what they require.



## What computers are good at

- Sorting, counting and calculating
- Following instructions
- Applying rules consistently
- Detecting patterns
- Finding correlations
- Predictions and identifying trends
- Being objective based on the information they have
- Noticing changes in data
- Integrating new information fast
- Working with lots of information
- Being logical, not emotional
- Considering the data only



## What people are good at

- Establishing connections beyond similarities and differences
- Knowing the whole is often more than the sum of its parts
- Using judgment to problem-solve
- Determining if rules are harmful
- Questioning patterns and looking for more data to establish context
- Wanting to know the causes
- Knowing that what has happened previously may not be repeated
- Using objective and subjective factors to consider issues
- Noticing changes in what they're focused on
- Integrating new data cautiously after consideration and testing
- Determining what information is important and working with that
- Having compassion, care and not necessarily logical emotional associations or responses
- Considering context and consequences and assessing what matters and why

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Business decisions are based on data, logic, available resources, goals, perceptions, preferences, context, predictions, the economy, politics and culture.

That's where people come in, particularly HR. HR is especially good at dealing with questions that are difficult to answer. It makes complex decisions and balances interests when figuring out what to do or try next. Senior leaders also deal with these types of questions.

In contrast, finance and payroll work in a world of numbers with relatively hard and fast rules. Their work is critical, and mistakes can have enormous consequences. But the nature of their work makes it easier for them to answer questions and validate their answers with data.

Sometimes, HR feels like they're navigating conflicting realities and addressing matters completely out of their control. No answers, just vibes.

The combination of accurate and real-time data, people analytics, financial information and practical tools puts HR in a great position to understand the big picture, know what's working and what's not, ask better questions and answer key questions for leadership.

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# 2

## Strategic pay

### The big picture

Pay is the center of the relationship between employees and an organization. People work, and employers pay them for their time and efforts.

Most jobs involve thinking, learning, working with others, helping clients and some combination of mental, emotional and physical labor. Money alone doesn't adequately support the uniquely human aspects of work.

Still, pay is essential and one of the most important factors for people thinking about accepting or leaving a job.

But the pay isn't everything.

### Issues and approaches to consider

#### Values

Budgets reflect an organization's values and what's important. So does pay. But things get complicated when we try to translate human skills and effort into money. We have historical norms about who should lead. There are strong societal expectations about work's role in our lives and what it means to be a team player or a great employee. We reward people who are great at what they do by giving them management jobs where they don't get to do that work anymore. The pandemic amplified many of these issues.

Instead of treating compensation as a pay range based on hierarchy, titles and benchmarks, we're noticing more analysis of skills and contributions. This isn't always related to hours worked, work location or traditional roles and titles.

#### HR's mission

Rather than jumping into new tools, processes and metrics, start by considering values in terms of contributions and in terms of what matters to the organization and its people.

When changes to when, where and how we work occur, reverting to "normal" has been tempting to some. Instead, consider what the organization really wants to achieve and how to do that in new and creative ways. We've all proven we can do just that.



#### Pay isn't everything

About half of all workers would accept a pay cut in exchange for better work-life balance.<sup>1</sup>

—**People at Work 2022**,  
A Global Workforce View

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**Strategic pay**



#### Workers want change

Corporate ethics and values have become central to retaining good employees. **7 in 10** have contemplated a major career move this year.<sup>1</sup>

—**People at Work 2022**,  
A Global Workforce View

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Remember the bigger problem you're trying to solve. On a personal, team and organizational level, you should regularly ask: "What are we trying to do, and what do we want?" It's easy to lose track of that as you respond to the next meeting, email or task.

## Understanding

Pay, deductions and taxes are all part of work. But often, employees don't understand all the information on their paychecks. Most organizations have employee portals where employees can track their pay, PTO and benefits. Making that information easy to access with the ability to get explanations and learn more saves everyone time and stress.

The bigger question on understanding pay is whether employees understand what they are paid and how pay is determined. This is an important part of the manager-employee relationship and a way to build trust, increase pay transparency and help with career planning.

And if pay transparency becomes part of the organizational culture, it can also promote equity because people will better understand where they are and where they want to go.

## The unexpected

Getting people paid on time is a required compliance issue, and the penalties for being late can be significant. When things are running smoothly, it's not a problem. But planning for the unexpected is now necessary. Storms, fires, hurricanes and power outages are becoming part of our everyday reality.

Make sure your payroll provider knows how to handle these issues and can help you navigate whatever's going on so that employees dealing with a disaster have the security and resources they need.

## Financial wellness

Money is complicated. Dealing with taxes often feels like it requires an accounting or law degree. Investing and retirement benefits are a mystery to many people, regardless of where they are in their careers.

For many of us, no one talked about money, debt, investments, risk or saving. And our systems have changed. Almost all transactions are digital. People under 30 don't write checks and wonder why anyone would.

Once someone gets past whether there is enough money to cover bills and expenses, having more usually means spending more. Employees would like the security of savings but often don't know where to start.

## A financial solution

Employers can make a big difference by offering financial wellness education, resources and savings guidance, mortgages, investing, taxes and retirement. It not only helps employees deal with financial stress, but it also helps them learn to make sound business decisions for themselves and their employers. It's an investment in leadership training.

While pay isn't everything, pay matters. Helping employees understand pay, increasing pay transparency and teaching people about finances benefits everyone.



### Have questions about pay transparency?

Don't miss the expert-led webinar. [Watch it now.](#)





# 3

## Strategic recruiting

Finding and hiring the right people for your organization means understanding where the organization is, where it's going and the people and skills required to get there.

### The big picture

Instead of constantly reacting to needs after they arise, HR can benefit from understanding the overall roadmap and what's required now, next quarter, next year and down the line. The best strategy is to begin preparing before recruiting necessary talent, especially if you're facing a tight labor market or high turnover.

There is nothing harder on employees than working in a perpetually understaffed organization. It's a recipe for burnout, which leads to increased absences, which can turn into being even more understaffed and is reflected in poor performance and client service. It's a crisis cycle that's hard to get out of and can even lead to the end of the business.

Having the right people available to do the work when needed is essential.

### Issues and approaches to consider

#### Labor shortages

Despite economic slowdowns for some sectors, unemployment has remained low, and hiring has been competitive. Some of the shorter-term reasons include the following:

- **Re-evaluation of work:** The pandemic has forced many to reassess where and how they want to work, causing labor market shifts. People are stepping away to get new or different training, or they are changing roles or industries. Meanwhile, some organizations are grappling with remote work and its recruitment impact. When a position is remote, the employer is no longer dependent on geographic location. Neither is the employee. You are now competing with everyone worldwide for employees, and the employees have more choices of roles and companies.
- **Disabilities:** Ongoing health issues and caregiving responsibilities have influenced what some people can safely or comfortably do and whether they're able to return to the workforce, giving rise to mismatches between employer expectations and employee capacity.
- **Child care:** The lack of available child care and increasing child care expenses have sidelined workers who are home with kids now. When child care costs more than you make, it doesn't make sense to work.
- **Burnout and risk:** Certain professions have felt the most significant losses and ongoing job openings. As of late 2022, hospitality, public schools and health care are still missing many workers from before the pandemic.

These workers have suffered from significant stress and exposure to illnesses during the pandemic.

Long-term, overall birth rates have been declining in the U.S. for decades. A declining population means fewer workers available in the future. Immigration policy also affects the number of workers who can enter the workforce and may restrict or expand available workers, depending on the policy.

### **Possible answers to a labor shortage include:**

- Planning for what you need with enough time to find it
- Training workers to do the work
- Focusing on skills rather than credentials alone
- Remote work options, if applicable to the role
- Recruiting workers who may have been overlooked, such as veterans, people with disabilities, parents returning to the workforce after caring for children and people who tried retirement but later chose to re-enter the workforce
- Using technology to save time and increase people's productivity for work that requires human thought, judgment and care

### **Talent strategy**

Your talent strategy probably needs to be broader, on a longer timeline and more dependent on workers' availability, the economy, the environment and governmental policies. Individual organizations don't control these things directly; the temptation is to wait until something happens before responding. But you can make a difference in meeting your organization's current and future needs by:

- Gathering the most relevant and accurate information available
- Understanding what it means
- Looking at possible scenarios to discover what's likely and why
- Testing possible actions to uncover what their effects could be

When things are changing fast or can change at any minute, having the best information gives you more confidence in your decisions. When you're unsure, guessing is usually as bad as doing nothing.

This is where data and technology can make a difference. Some tools can monitor and track key recruitment metrics, such as:

- **Source of hire:** Where do your people come from? Where else can you search?
- **Application completion rate:** Are you losing people before the process starts?
- **Submittal-to-interview ratio:** Where and when do people drop out?
- **Interview-to-offer rate:** Are you talking to too few or too many people?
- **Offer acceptance and decline rates:** If people don't accept, why?
- **New-hire turnover rate:** Are people leaving soon after they arrive? Why?

These metrics will tell you what's happening in your hiring process, where the process is working and where it's not. When you have better information, you can ask better questions and find answers and solutions faster.

With accurate and real-time analytics, planning is more manageable, and you know what needs to happen to have the right people when you want them. When it's possible to recognize what's happened, emerging trends and when things are changing, you can predict needs with greater accuracy. You can also address issues before they worsen.



**Overcome workplace challenges before they become big issues.**

[Download the people analytics handbook.](#)



## People and skills

As work and the availability of workers change, maybe it's time to rethink how we figure out whether someone would be suitable for a job. The traditional approach is to get a resume, find out whether they meet educational and experience requirements, go deeper with the ones that do and interview the ones that have done the most similar work to the things they will be doing in the open role.

This isn't much to go on. People likely don't remember who or when the basic experience and educational requirements were set. They may have nothing to do with the real work of the job. Then there's the problem of not knowing what that degree or experience means. A candidate with a degree in anthropology could be perfect for a user experience role, but you'll never realize that if you are looking for an engineer. Maybe the person with a philosophy degree knows how to ask great questions, experiment with solutions, persist through failure and understand why each decision matters. These are skills applicable to almost any job.

## A skills-based evolution

There is plenty of room for improving how we assess who can or should be doing different jobs. And turnover is expensive.

We are starting to move from degrees and certificates to abilities and skills. By understanding people's skills and the skills required for a job or project, we can match the actual work to a human instead of guessing based on proxies for qualification. This also helps eliminate bias because the focus shifts to a person's abilities instead of who they are and where they have been.

This approach allows teams to be configured by project, which may cross traditional reporting dots and lines. New career paths will open as we learn more about transferring skills to different kinds of work. Most importantly, educational and financial barriers to entry are removed. Re-imagining the recruiting, hiring and organizational structure presents an opportunity to create a more inclusive and equitable workplace.



# 4

## Strategic DE&I

### The big picture

Diversity, equity and inclusion (DE&I) are for everyone. Fairness in pay, who gets hired and promoted and whether people feel welcome and valued are important to many.

While some organizations have focused on increasing the diversity of their workforces, that's just the start. If people arrive, are regarded as "the other" and are not given opportunities to succeed and progress, they start to feel more like a number than a valued part of the team.

### Hard conversations, norms and biases

DE&I takes time, plus the willingness to have difficult conversations. We each operate from our own norms and perspectives. Sometimes, those viewpoints are very different. Yet all perspectives are real and reflect the experiences of the people who hold them.

Compare someone who grew up in Manhattan, Kansas, to someone who grew up in Manhattan, New York. From the pace at which you walk down the street to the people you are used to interacting with, what feels normal and comfortable can be starkly different.

When we layer on differences in the ease of navigating the world, from simply being out at night to being considered for a job, we may perceive more risk and face biases and a lack of resources and opportunities. There are endless examples of our competing realities. They may not always make sense, but they are real. And just because some people haven't experienced something doesn't mean that something didn't happen or that others aren't dealing with it daily.

### Issues and approaches to consider

#### Start with pay equity

Pay equity is not just a good idea; it's also the law. In other words, it's not optional.

Pay equity is a great place to start working on DE&I because you can analyze work, demographics and money. Until recently, a pay equity analysis involved entering jobs, salaries and demographic data into tiny spreadsheet boxes and then having nightmares about making sense of the results. Now, pay equity analyses can be easier with [pay equity explorers](#).

To some extent, pay gaps can be closed by pulling from the budget. Start by identifying where pay gaps exist and who is experiencing them. Then you can better understand where inequities persist and how to address them.



### The impact of diversity, equity and inclusion (DE&I)

Approximately **three quarters** (76%) of workers would consider looking for a new job if they discovered there was **an unfair gender pay gap or no DE&I policy** at their company.<sup>1</sup>

—**People at Work 2022**, A Global Workforce View

## **Analytics are essential**

### **Expert insight**

“Data is the foundation. You need the data to understand where you are so you know where you want to go and can figure out how to get there.”

—**Annette Allen**, director of strategy, ADP DataCloud

If you've been working on DE&I initiatives these past few years, you've probably run into issues such as:

- Trying to do too many things at once and not making progress
- Focusing on one issue, like hiring, while other issues, like development and promotion, languish
- Having leaders' support in words and intentions but not in the budget

People analytics can help. When you have clear insight into your workforce demographics, you can explore where people are at different levels of the organization, where people start, progress and where they drop out.

Talk to people if the numbers are not where you want them to be. Figure out the roadblocks. Get insights from your business resource groups (BRGs). And don't just ask what's wrong; get ideas and suggestions for what could help.

Having your organization's demographic data also allows you to benchmark against other organizations in your industry or geographic area to compare what's happening in your organization with what's happening in the market.

### **Matching work with people**

We've spent a lot of time fitting people into processes, tools and organizations instead of fitting work into people. We're just beginning to understand how to do it effectively and the benefits it can bring to all aspects of employment, including the bottom line.

We're also just beginning to appreciate the possibilities of diversity, which go way beyond gender and race. There are amazing people, such as people with disabilities, who have important skills and value to offer, including neurodiversity, unique lived experiences and cultural perspectives.

DE&I is essential to building and sustaining our workforce and to finding creative answers to new questions and problems.

# 5

## Strategic business partner

### Expert insight

“Speak the language of the business. Help HR practitioners communicate insights and connect with business results.”

—**Jace Harker**, director of product, ADP DataCloud

### The big picture

HR is responsible for people, a large chunk of technology and vast quantities of data. But HR is often left out of major decisions involving strategy, budgets and resource allocation.

If budgets are statements of values and people are the most important parts of an organization, then HR, the department of people, should be regarded as more valuable to broader strategy and budget discussions.

The key is to give HR more insight into financial information and to make people analytics a part of leadership considerations.

### Issues and approaches to consider

#### Combining people data with budget data

When HR can combine people data with financial data, they can provide senior leaders with strategic advice that impacts the bottom line.

HR already works with the connections between people, technology and data, which puts HR in a unique position to:

- Explore and understand trends and connections
- Monitor changes
- Advise on new policies and their impacts
- Know what employees need and want and the challenges they are facing
- Explore how people issues affect the bottom line
- Solve problems in sensible and practical ways

When you combine budget data with real-time people analytics, it suddenly becomes possible to understand the entire financial picture in context with what's happening in the organization.

For example, you can track how expenses are related to the budget at any time instead of monitoring year-over-year expenses. Are your labor costs on track, over or under? If the answer doesn't make sense, you can look at labor costs by location, division or department. You may be understaffed for the work when labor expenses are significantly under projections. You may be dealing with wage compression and a more competitive market when they are over.

### **The importance of the combination**

Having your people and financial data together allows the organization to quickly identify trends and adjust.

With access to financial data, HR can begin to track revenue against spending. Revenue can decline for many reasons, including people, products and the economy. It may involve staffing or compensation issues with sales, extra labor costs, other expenses affecting the financial balance or even morale issues impacting productivity.

No matter what's going on, it's sensible for HR leaders to understand financial data and to be involved in strategy conversations so they can offer unique insights, ideas and approaches.

### **Combining strategy with care**

Over the past few years, we have learned the business importance of:

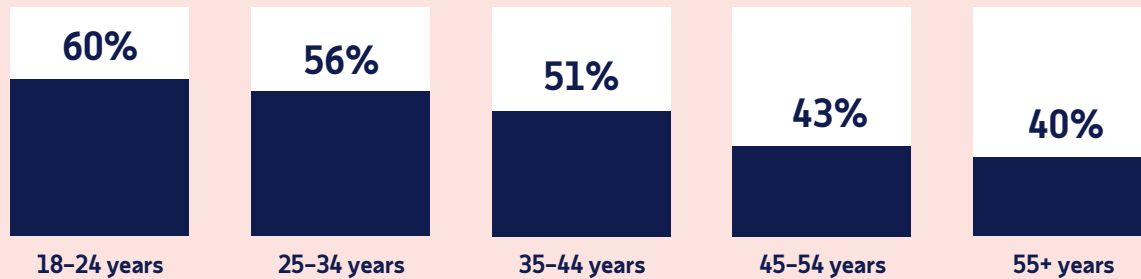
- Acknowledging stress and difficulty
- Showing compassion and understanding
- Information and communications
- Listening and learning
- Comparing the stories against the data
- Focusing on problems rather than processes and policies

HR has been at the heart of dealing with these facets of work because they all involve people and require connection and care. HR is the first responder when people struggle with work because of disasters, pandemics, illnesses, tools, bosses or compensation.

A 2022 ADP Research Institute (ADPRI) survey of over 32,000 workers across 17 countries asked whether people felt their work was suffering due to mental health issues. The response was a resounding yes, especially with younger workers.<sup>1</sup>



## **0\*** I feel my work is suffering due to poor mental health.



The ADPRI's studies on employee engagement continue to show the importance of how employees feel about their work and how they feel at work. The ADPRI team has determined that a good job is defined as one where you:

- Feel seen for being the best version of yourself
- Sense that your colleagues have your back
- Don't feel discriminated against based on gender, race or sexual orientation
- Feel that your position is secure
- Have confidence that you'll get help navigating constant changes in the working world

It's a big order. And HR is at the heart of filling it.

Without a work environment where people feel safe and have what they need to be productive, there won't be people to provide the products and services that generate revenue. Not only does HR need to be involved in financial strategy, but leaders also need HR to help them lead with compassion and care.



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By exploring the bigger picture, approaching business with new and creative solutions and having the tools and information to ask better questions and get answers faster, HR and organizations can change both work and business for the better.

Explore the bigger picture today with people analytics.

[Access the self-guided demo](#)



1. People at Work 2022: A Global Workforce View, ADP, 2022