Strategic Savvy

The ability to insightfully identify root causes to entrenched problems and develop clear, simple, targeted approaches that both explain circumstances and pave the path toward a solution.

Diversity practitioners’ days are often full of meetings with subordinates and supervisors, and with operational counterparts who keep the organization’s products and services headed for the door. Days are full with writing reports, creating presentations, and developing budgets. And let us not overlook the planning and implementation of initiatives, programs, and other efforts to advance an organization’s diversity strategy. At the end of any week, D&I practitioners may be able to point to a long list of completed action items, but can they say they have contributed to the company’s overall business strategy?

And therein lies the rub, because strategic thinking and strategic savvy (having a hand in the business strategy) are critical for anyone seeking to have a sustainable effect on an organization or, more personally, to move up the corporate ladder. Too many diversity careers are in danger of being sidelined by the perception, rightly or wrongly, that practitioners are great operationally, but lack strategic savvy. This criticism comes just as HR and diversity practitioners are, according to the report by McKinsey & Company, State of Human Capital 2012: False Summits, “coming under unprecedented pressure to be innovative, to be strategic, and to implement their programs and initiatives more efficiently.”

Such pressure continues to pose challenges for HR and diversity leaders because they must continually address a multitude of factors globally and domestically, such as the volatile condition of the economy, the fast-pace of continually evolving technology, new and unpredictable sources of competition, and the skills mismatch between job seekers and available positions. The McKinsey report states, “Worldwide, and in organizations of every type, ‘people processes’ are failing to keep pace with a changing business landscape.” Keeping pace with the rapidly changing environment and working toward an inclusive corporate culture requires a particular brand of strategic savvy.

Strategic Savvy and the Core Business

Before we get to strategic savvy as it relates to HR and D&I, let us briefly look at how strategic savvy is critical to any business function, but particularly to understanding
the core business of an organization. It is an accepted truth that unforeseen events and situations can be opportunities for success or failure. Strategic savvy can be the difference between those two outcomes.

Long before Walmart was a global retail behemoth, Sears represented the embodiment of retail might. Customers could order anything from the highly regarded Sears catalog, including a house. Sears upended traditional retail, according to an article in The Scholarly Kitchen, by “combining catalog sales, generous return polices, and rapid shipping (made possible through huge warehouses in Chicago, the central hub of the US rail system).” Then along came Amazon, which outflanked Sears in the business model it created. 2

Essentially, Amazon revamped Sears’ catalog business and did it better by leveraging the power of the Internet and educating customers on how to shop online.

Sears had already created a massive catalog business and distribution infrastructure with robust warehousing, back-end processing and distribution systems, supply contracts with thousands of manufacturers, and a trusted brand and reputation. The catalog focus eventually broadened to include suburban shopping malls. The company even had a leg up on the technology side because of its relationship with IBM and early adoption of technology throughout the company. At that time, it can be argued that Sears knew more about the Internet than other retailers. So how did Amazon beat Sears at its own game?

The Scholarly Kitchen article argues that Sears did not recognize its core business. “They continued to cling to the wrong core competency (retail stores) while their online business remained secondary. Sears thought it was in the catalog business and, more recently, in the retail store business. It was not. It was, and remains, in the retail sales and distribution business.”

Sears leadership failed to connect the dots between their business operations (catalog and in-store), the threats and opportunities of new technology, and the changing needs of customers. They failed to anticipate, analyze, and interpret emerging trends. Sears understood technology, but failed to shift its focus. In other words, they failed at the critical reason for their leadership positions: to think strategically in order to remain profitable and successful.

Failing to think strategically or lack of strategic savvy has been the downfall of many companies. Consider Blockbuster, Circuit City Electronics, Research in Motion, or Kodak. In one way or another, the leaders of these organizations failed to strategically position the companies to leverage unforeseen situations or events for sustainability, let alone success.

Diversity Best Practices defines strategic savvy as, the ability to insightfully identify root causes to entrenched problems and develop clear, simple, targeted approaches that both explain the circumstances and pave the path toward a solution.

For HR and D&I practitioners, strategic savvy means the ability to identify problems with an organization’s sourcing, recruiting, hiring, development, and advancement practices for non-traditional talent, and then resolve those problems. It includes apprising various stakeholders of their roles and responsibilities, and the ability to practically demonstrate how diverse talent and an inclusive environment can generate a more highly engaged productive workforce that makes every area of the business more successful.

As with all of the competencies in this handbook, strategic savvy can be learned. In fact, Jim Norman, former CDO for Kraft Foods, says that early in his career a manager told him that he needed to be more strategic. But what does that mean, especially when most managers are evaluated on how well they implement specific job assignments and get a particular job done? Norman provides an easy-to-understand description: “It can be described as long-term tactical or how far out one thinks about an issue. It is doing something today that’s going to move the organization a particular way five years from now. One needs to see all the elements, all the pieces, all the motivators and determine how to get them in motion,” he said.4

A 2013 article in the Harvard Business Review, Strategic Leadership: The Essential Skills, deconstructs strategic thinking into six basic elements that when “mastered and used in concert, allow leaders to think strategically and navigate the unknown effectively.” The article posits that leaders who are strategically savvy apply all six of these elements and, in doing so, represent “someone who is both resolute and flexible, persistent in the face of setbacks but also able to react strategically to environmental shifts.” 5 That is certainly the kind of leader, regardless of function, who can identify the root cause of entrenched problems and pave a way to a successful solution.

The six elements of strategic thinking, as proposed by the Harvard Business Review, encompass the ability to:

- Anticipate: Detecting uncertain and unpredictable threats and opportunities, especially on the periphery of the business.
- Challenge: Questioning the status quo, confronting assumptions (yours and others), and encouraging divergent points of view.
• Interpret: Integrating all of the conflicting and divergent perspectives to recognize patterns, push through ambiguities and be open to new insights.
• Decide: Rejecting “either/or,” or “go/no go choices,” but insisting on multiple solutions that arise from a decision-making process that balances tradeoffs and takes long-term and short-term goals into consideration.
• Align: Finding common ground among a variety of stakeholders.
• Learn: Searching for lessons from stumbles and successes, while focusing on continuous learning.

D&I Strategic Savvy and the Core Business

It is generally agreed that HR and D&I professionals must understand their companies’ core business, overall business strategy, and how to align diversity and inclusion principals with the strategy. But next-generation D&I and HR professionals must go further and understand that the core business of the HR or D&I functions is broader than recruiting, hiring, onboarding, retaining, training and development, employee engagement, benefits and compensation, and all the other normal D&I or HR functions. The core business of HR and D&I practitioners is a company’s human capital. Any business process, procedure, operation, or technology that touches employees should be of concern to HR and D&I leaders.

A 2013 global survey of corporate directors affirms this refocusing of core business concerns, according to an article in the Harvard Business Review. The survey, which was conducted jointly by Heidrick & Struggles and WomenCorporateDirectors, said, “Corporate directors identified talent management as their single greatest strategic challenge.” Talent management was of greater concern to the more than 1,000 corporate directors than competitive threats, rising costs, innovation, risk management, regulatory climate, technology, or debt. The article states: “Overall, whether by region or industry, the vast majority of directors say their organizations are not doing talent management well. In fact, in two practices in particular — “firing” and “leveraging diversity” — many companies fall dismally.”

As a next-generation diversity professional, expanding your function to encompass all of your company’s human capital issues represents a major refocusing of your responsibility. And this broadened view will invariably take you out of your normal mode of operations straight to strategic thinking and strategic savvy. According to strategy consultant Jenni Murphy-Scanlon, leaders who are charged with getting things done too often assess strategic discussions or strategy sessions from an implementation perspective. “Strategic savvy is about asking the right questions at the right time in order to understand where strategic ideas are coming from,” she said.

Deb Dagit, president of Deb Dagit Diversity and former CDO of a major pharmaceutical company, agrees with Scanlon. Asking the right questions of the right people at the right time puts diversity professionals in the midst of the strategic decisions companies must make. In formulating a diversity business case, for example, Dagit advises diversity professionals to continually question every area of the company. The diversity business case and strategy must be broader than just for a company. “Now it has to be differentiated by every function: R&D, manufacturing, the commercial side of the business, even functions like IT and legal, and by geography or countries where a company does business,” she said.

For a manufacturing company, for example, Dagit gives several possible examples of strategic questions. “Why should R&D care about diversity? Why does R&D need diversity in its product trials? Or why does manufacturing have to care about the package inserts, or the product labeling, or how easy it is to get the product open, or how a blind person would access their product? What role can IT play? How are they thinking about the apps and tools that are the mechanisms for how consumers link to the products and services? Are they accessible in terms of language, culture, and ability? There is a strong business case across the board, but you have to get really good at playing intellectual medicine ball,” she said.

One method to heighten your strategic thinking is to use the Five Whys method. In a video, Eric Reis, entrepreneur in residence at the Harvard Business School, explains that asking “why” five times enables leaders to get to the root of any issue and assists in drilling down any technical or operational challenges to their human capital source. Originally used at Toyota plants for production issues, the Five Whys method has been shown to help find, resolve, and prevent business challenges and to strengthen strategic thinking. Essentially, the process involves asking “why” five times, not four or three times.

In the Reis video, he gives an example of an IT issue for a manufacturing company. Why did the IT transition fail? After several additional questions of why, it was determined that the cause of the issue was inadequate training for the person responsible for the transition. And what was the reason behind this IT engineer not receiving the necessary training? Because his manager did not see the need for the training given the time and money constraints of the project. What was initially perceived as a technical and operational issue was, in reality, a human capital issue: The IT manager lacked a strategic overview of the transition process.
The Five Whys method represents one tool for starting the journey to becoming strategically savvy. Here are three others.

**Insightfully Assesses the Current State by Conducting Effective Root Cause Analysis**

**Early-career professionals/Individual Contributors**

Using the Five Whys method can be especially effective for early career D&I practitioners, because along with helping you understand the strategy surrounding an issue, it enables you to recognize the root causes of an issue.

The early career professional should also listen for repeating patterns and themes that speak to the success or failure of D&I efforts. These patterns and themes will often come through informal channels such as complaints, company buzz, or rumors. Membership in a company’s employee resource groups can be a source for this kind of information. At the September 2013 Diversity Best Practices Network and Affinity Leadership Conference, Alexia Ward, tax associate for Ernst & Young (E&Y), explained how E&Y’s professional networks assist in building peer and mentoring relationships and gathering information to strengthen the company.

Another way for early career practitioners to assess the current state is by getting grounded in the outcomes of listening initiatives by other parts of the company, especially human resources. Many companies conduct employee engagement research to understand employee views. Volunteering for the team that works on interpreting the raw data from this research can enable you to understand what the findings mean for the diversity function, HR, and the company.

**Mid-career Professionals/Leveraged Contributors**

Mid-career professionals are often tasked with sourcing and implementing employee engagement research. This responsibility can be part of your strategic savvy journey, as you spearhead qualitative and quantitative data collection to create an accurate snapshot of current reality to confirm, disprove, or redirect strategic assertions or direction. Here is where the next-generation professional can take that research to the next level by innovatively synthesizing what is learned from the data and discerning the most relevant issues that result.

Diversity Best Practices’ handbook, *HR Executive Diversity Primer*, counsels human capital leaders to analyze employee engagement results through a diversity lens in order to gain a thorough understanding of a workplace’s inclusiveness. This is more than merely slicing the data demographically, but requires examining the results from a diversity dimension perspective. The primer suggests that D&I professionals ask, “Do these results represent the views of employees who are Black, Latino, Asian, LGBT, people with disabilities, Baby Boomers, and Millennials? Don’t lump all the people of color or all the underrepresented groups together.” It is important to look for patterns, relationships, and correlations among responses. Similarities may exist, for instance, between LGBT employees and people with disabilities (especially staff with invisible disabilities), who may show parallels in their coming-out experiences.

**Senior-level Professionals/Leaders**

At this level, senior leaders are assumed to be strategically savvy, although one can always strengthen this capability. Working with organizational stakeholders to obtain their view of the current state of an organization’s inclusiveness must be part of the leaders’ efforts. Ideally, senior leaders are already working with the diversity council, which can be charged with overseeing an organization’s diversity and inclusion strategy. Executive-level diversity council members are often accountable for achieving the company’s diversity goals and are ultimately responsible for the success of business goals that are affected by the company’s diversity policies.

In essence, diversity councils lead in developing strong corporate cultures that put diversity at the forefront of the company’s business philosophy, strategic direction, mission, vision, and values. This responsibility makes these councils particularly concerned about a company’s current state of inclusion and the gap between the current and desired situations.

Cable and television conglomerate Comcast/NBCUniversal’s executive councils, for example, are central to corporate governance of diversity. David Cohen, Chair, Executive Vice President and Chief Diversity Officer, leads the Comcast Internal Diversity Council; and Richard Cotton, Executive Vice President and General Counsel, leads the council for the NBCUniversal side of the company. Comcast/NBCUniversal expects senior executives on the councils to “lead by example and consistently work to ensure [their respective business units and the] company demonstrate a best-in-class culture of diversity and inclusion.” Senior leaders working with these councils have strong allies in analyzing and addressing the root causes of any gap between the current state and the desired state.

**Paints a Compelling, Business- and Talent-relevant Picture of the Desired State**

**Early-career professionals/Individual Contributors**

Fostering an inclusive workplace requires, among other things, an image of what that type of organization looks like and how it operates. Early-career professionals...
can assist in the development of an inclusive organization by sharing their views on how things could be different. It is also important for you to understand how others, such as grassroots groups and ERG members, envision what a truly diverse and inclusive organization would look like. That is where your membership in company ERGs can come into play.

Helping others visualize the reality of an inclusive environment can be particularly powerful. Jim Norman explained how, in the very early phases of Kraft’s Efficacy curriculum, employees of color would scoff at certain elements of Kraft’s statements on diversity. Those statements did not ring true or reflect the typical workday realities for those particular employees. Once Norman explained that the statements and messages were aspirational, representing steps along the inclusion journey and not the current situation, those employees were more inclined to lend their talents to helping Kraft work toward its goal.

Mid-career Professionals/Leveraged Contributors

Next-generation mid-career professionals must know and take into account their organization’s business strategies for the next three to five years and connect the D&I strategy to those efforts. This is where broadening the D&I function’s core concern from transactional diversity to strategic human capital comes to the forefront. Such a change is not a new challenge for HR and D&I professionals. A study reviewed in a 2006 article in Applied H.R.M states: “HR departments in global organizations are still overwhelmingly preoccupied with transactional issues, according to a survey from Price Waterhouse’s Global Human Resource Solutions. Survey respondents said that 59 percent of their energy was absorbed by administrative matters and only 6 percent was spent on strategic concerns.”

Jim Norman compares strategic savvy to the scientific method of thinking and relies on observing, questioning, and reflecting. He suggests asking questions such as “Why is this happening? What are all the possible reasons this could be happening? What are all the factors impingent upon it? How can I change it and move it around?” After considering the answers, he suggests making connections between the business strategy and the diversity strategy. Kraft’s Efficacy curriculum, for example, called for greater connection between the business and diversity strategies. Initially, the curriculum dealt with turnover of managers of color and women, but over time evolved to managing inclusion. The curriculum’s transition was not due to happenstance, but was part of Norman’s strategic thinking and planning.

As part of the effort to become strategically savvy, mid-career professionals must be able to articulate how D&I can enhance an organization’s marketplace growth. This goes to the heart of diversity’s business case. Numerous research studies, as well as anecdotal evidence, point out how diversity can positively affect a company’s marketplace success. The 3M Company, for example, includes its many ERGs in its business-development efforts by relying on them for insights on diverse consumer perspectives.

The company’s African American network has provided insights on how its automotive industry products could better appeal to Black Millennials, while its military ERG was instrumental in identifying U.S. military market opportunities. Complementing those efforts, 3M’s Asian ERG leaders help to drive business development in selected Chinese markets by making introductions for top company leaders to appropriate Chinese leaders. 16

Senior-level Professionals/Leaders

Senior leaders rarely get bogged down with the transactional or day-to-day realities of diversity initiatives. Rightfully, they should be involved with developing the D&I strategy and making sure that it is embedded throughout the organization. One way these leaders can align the two strategies (business and diversity) is by describing a convincing, inspiring, data-driven vision of what their companies’ D&I future could look like. Coupled with describing a diverse and inclusive company future, senior leaders must be able to take into account marketplace realities and identify an ambitious yet realistic vision of how diverse marketplace penetration would appear.

In the book, Words that Work: It is Not What You Say, It is What People Hear, author Dr. Frank Luntz describes some of the most effective words and phrases for the 21st Century. No. 1 on his list of 21 words and phrases is “imagine.” The book states: “No matter what your company’s product or service, the word “imagine” has the potential to create and personalize an appeal that is individualized based on the dreams and desires of the person who hears or reads it. … The word “imagine” is an open, nonrestrictive command — almost an invitation.” 17

Here is where strategic savvy comes into play. D&I leaders must encourage others in the organization to see and believe the value of diversity and inclusion. Doing so requires painting a compelling picture of a desired future state. Strategically savvy leaders can be a part of the strategy decision-making process by helping others envision the promises of an inclusive corporate cultural and diverse marketplace penetration. It can start with a single word, imagine.
Determines Course of Action for Closing Gap between Current and Desired State

Early-career professionals /Individual Contributors
When it comes to diversity and inclusion, most companies operate in the gap between their current state and their desired state. Early-career professionals can help narrow this gap by serving as a two-way conduit for information, from the upper levels of management and from the grassroots or ERG membership. In assessing any data or initiative, the early career practitioner who aspires to become a next-generation professional should wonder, “What’s missing?” and follow that thought by asking, “Is this something we should be worried about?” If it is nothing to worry about then, of course, do not worry. However, if your assessment of the issue indicates potential challenges then you must communicate that concern to your managers.

Along with reflecting on the efficacy of initiatives and strategies, the early career practitioner can test how strategies are being received and understood at the frontline and ERG level. Victoria V. Swisher in the book, *Becoming an Agile Leader: Know what to do … when you don’t know what to do*, relays the experience of an unidentified company that hired large numbers of accountants, primarily from several well-known universities. Recruiters sought out first-string candidates with impressive grade point averages, test scores, and academic awards. Yet a review of the process revealed 50 percent turnover among these top-rated recruits. Further investigation exposed a flaw in the strategy.

By focusing on only traditional criteria, the company was missing out on potential accountants who might have been a better fit for the company. Recruiters broadened the selection process to include other factors such as participation in extracurricular activities. After two years, the attrition rate had dropped and the types of recruits considered for hire expanded.18

Here is what can happen when a next-generation diversity professional reflects on what is missing and investigates how strategies are implemented or understood. The gap narrows between the current state of high turnover in a group with uniform characteristics and the desired state of an engaged, retained, and more diverse group.

Mid-career Professionals/Leveraged Contributors
Your responsibilities as a mid-career practitioner involve developing and implementing the strategies and tactics to narrow this gap. As your strategic thinking evolves, you will be the one to develop the detailed plan to implement the strategy for narrowing this gap. This should include ensuring that multiple stakeholders – ERG members, executive sponsors, D&I champions, HR leaders, and representatives from other critical company functions – understand the course of action, support the strategy, and work collaboratively on its behalf.

Let us go back to the example of the accountants with high turnover. Once an internal audit revealed the expensive and frustrating 50-percent attrition, it is the mid-career professional who is charged with keeping the stakeholders involved and creating the plan to address the situation. Maintaining a strategic eye on the current and desired states led to tweaking the strategy by broadening the selection criteria and moved the organization closer to its desired state: retained, engaged, and multidimensional new hires.

Senior-level professionals /Leaders
As a next-generation HR or D&I leader, It is your responsibility to keep your team focused, on track, and committed to the strategy’s parameters. It is up to you to consistently remind, explain, and reinforce, for the entire organization, the strategy’s rationale, its tactics, and its progress and impact. Kraft’s Norman addressed the gap between current and desired states with the development of the Jumpstart program. At the time, the typical new hire orientation session covered company history, benefits, and completion of official forms. The Jumpstart program expanded on the typical orientation by adding different kinds of information.

“In Jumpstart, we talk about the organization’s culture, that we’re Midwestern polite, that we’re a consensus culture,” he said, “These were the kinds of topics that help new hires become more efficient as they’re onboarding and gaining influence and credibility in the company.”

Norman received buy-in from all areas of Kraft because he tapped into Kraft’s culture by recognizing that managers “have to be able to maintain their focus on their core responsibilities while still implementing D&I solutions. And in fact, our diversity strategy is going to help make things better,” Norman added. The Jumpstart program continues as a way for “employees irrespective of race, gender, experience, background, or prospective to contribute to the business in a meaningful way,” he said.

Jumpstart’s success is evident in its longevity. Companywide, new employees and managers reap the benefits of Norman’s strategic thinking as he has kept the focus on the benefits of the diversity strategy and consistently worked to narrow the gap between current and desired states of inclusion.
Derailers of Strategic Savvy

The greatest derailer to becoming strategically savvy is lack of reflection and failure to connect the dots in any situation. Strategic thinking requires taking stock of seemingly ordinary events, anticipating the potential ripple effects of those events, testing and validating your interpretations, and developing a plan of action. Along with those steps, the next-generation HR and D&I practitioner must constantly help others envision the benefits of the desired diversity state.

For the early-career practitioner, critical derailers to strategic thinking involve failing to keep your eyes and ears open to situations, failing to act as a conduit for information, and failing to report feedback and strategic information to employees. For the mid-career professional, lack of strategic savvy shows up when you fail to use appropriate data collection and analysis to get to the root issues. Such failure can be accompanied by failing to keep colleagues and others in the organization up-to-date on the D&I strategy and its results.

Senior-level professionals risk failing to think strategically when they lose sight of the big picture, getting bogged down in day-to-day situations, and failing to address D&I alignment issues. More critically, senior-level leaders who lack strategic savvy fail to identify and connect with the right people, at the right time, and in the right manner.

Conclusion

As with all the competencies in this handbook, strategic savvy can be learned and honed. In fact, this competency must be learned to move any organization from where it is to where it wants to be. This means thinking about the organization from a higher perspective and then confronting the obstacles to an inclusive culture in a well-thought-out strategic manner.

Thinking strategically about diversity and inclusion impacts all aspects in an organization, which is why HR and D&I professionals’ core business is not human resources or diversity. It is human capital and all of the processes, procedures, applications, operations, technology, and other elements that touch employees. It is a company’s relationship with its human capital that can increase profits and strengthen its competitive advantage.

Conversation Starters

How will the D&I function change in your organization once its leadership becomes more strategically savvy?

What is the greatest threat facing your organization?

What is the greatest opportunity arising from that threat?

How does your organization’s D&I strategy address those threats and opportunities?

How does your company’s D&I strategy enable the creation of multiple solutions to business challenges?

Endnotes

4 James Norman, former chief diversity officer, Kraft, telephone interview, April 17, 2013
9 Deb Dagit, president of Deb Dagit Diversity, telephone interview, April 2, 2013
10 Eric Reis, “5 Whys” video, February 2012  http://blogs.hbr.org/2012/02/the-5-whys/
12 HR Executive Diversity Primer, Diversity Best Practices, 2012
18 Victoria V. Swisher, Becoming an Agile Leader: Know what to do …when you don’t know what to do, Lominger International: A Korn/Ferry Company, 2012