Prepared By:

HUMAN RESOURCE ASSOCIATES

Employment Consultants

THE CHANGING FACE OF THE PERSONNEL DEPARTMENT

Part IV — Can We Re-Invent HR?

A quick review: in Part I of this series on the new face of HR, we spent a day in the often-wacky world of the HR professional. In Part II we considered whether HR was meant to be a center for social progress or a profit center. In Part III we listened to business leaders tell us "Why we hate HR."

Here in Part IV, we wrap up this subject by trying to put it all together and ask, "Can HR re-invent itself?"

What's Wrong With HR?

We may have identified a dichotomy. While HR is claiming a seat as a partner at the corporate business table, its presence seems to be mostly as a center for social services and bureaucratic administration.

Business and educational leaders are telling us that HR is not leading, is not operating as an element of the business, and is disconnected from their real value and purpose.

Does HR Need To Change?

If the real value and purpose of HR is not the delivery of social services and administration, then what is it? The answer we are hearing is pretty basic. ***HR's purpose is to be accountable for the productivity and value of the company's human resource***.

Are they fulfilling that purpose? Some clearly are. We found many good examples, such as Libby Sartain, chief people officer at YAHOO, who made herself accountable for productivity for every department in the company. She monitors, measures, and manages it at her executive-level meeting every week. But it appears that Libby is not representative of the HR profession nationally.

HR is mostly populated with very intelligent people who are focused on relatively small goals — managing a defensive CYA function to avoid employment legal liabilities and keeping the administrative processes of employee paperwork in motion. But both of these functions are more and more being outsourced. What will be left of the HR function is something that HR is not very good at, being accountable for the productivity and value of the company's human resource. So if HR needs to be re-invented, that's where we should begin.

Three Steps To Re-Inventing HR

1. Think Like a Business Executive
2. Measure Everything
3. Be the Courageous Leader

1. Think Like A Business Executive

Improve your business skills.
Can you read and understand the company's annual report? Business is about proactive sales, competition, and profits. There are many ways to accomplish these things, but they must be accomplished.

Know all you can about how the company makes a profit.
Who is your customer?
What does the customer need?
Who are your competitors?
Who are they hiring?
What are you good at and bad at?
What causes you to be more profitable?
What causes us you lose customers or profits? (Don't be afraid of the "P" word. It's why we all go to work every day and why the company exists.)

Make HR a profit center.
HR should not be a cost center, a support center, or overhead — make it a profit center. You are accountable for the primary resource the company has. It's more important than capital. It has a greater potential for improvement and profit than any other element in the company.

Downplay the social and administrative.
Make that conversion from social service center and paper processor by focusing your mission on business values. You will still be the administrator of company benefits and people documents but that should no longer be your primary function.

Seek cooperation and guidance from those with proven success.
Good leadership and management are not about taking a consensus or popularity poll to find solutions. Draw on and build relationships with the company's best performers.

Develop long-term business strategies.
Begin steering away from the short-term management of putting out fires and making the next hire. These are only a part of your job, just like almost everyone's job. Your strategy is not about processes and deadlines. It's about establishing a mission that has a business value and the strategy to make it happen.

Identify the Return On Investment (ROI) of human resources.
Business executives will invest most in those things that have the best return. You don't want to overinvest in places where there is little or no return. Know when people productivity pays off and when it doesn't.

Invest your time, effort, and resources on the highest performers.
You still want to help low performers become high performers, but that's not your primary mission. When splitting your support time between the two, you should be spending 90 percent of your time supporting the high performers and 10 percent on the low performers.

Reward discriminately not equitably.
It's not about equally sharing the spoils. It's about rewarding best those who performed best, those who produce the most value. Effort is important but results are what make it a successful business. In

today's workforce, top performers produce now and they want to be rewarded well and quickly. They not only resent low performers being well rewarded, but they can leave quickly to find appreciative recognition.

Focus on product not process.
At best, process is the procedure leading to product. Process is not the end result you seek. HR needs to minimize processes that do not lead to the product you have defined in your mission or your long-range strategy.

Re-invent performance evaluations.
Everyone complains about the annual performance evaluation. Many experts are even recommending that they be eliminated. That's just wrong. It's the annual part that's the problem. Performance evaluations need to be ongoing all year long. Waiting a year to tell someone that they need to improve is just too late.

The process, like HR, may also have become bureaucratized. Think of the business values at work here. The company should have a mission and/or a strategic plan. This job should have a position description that provides some part of that mission or plan. It should also describe the purpose, accountabilities, and the end result required of this job.

The performance evaluation should be based on that position description. The evaluation, like a resume, should not be focused on "responsibilities." It should be focused on "accomplishments." Overall, you are asking, how does this job support the company's values? Is this person providing those values? If not, what can you do to help this person do that?

2. Measure Everything

Join the new "metrics" club.
Good business knowledge tells you that, "If you're not measuring it, you're not managing it." But HR administrative processes have always been hard to measure. What do we measure?

In the world of finance they use a set of magic numbers. They're usually called "key ratios." For example a "liquidity ratio" reflects the company's ability to satisfy its debts. It's so important that they refer to it as the "current ratio." You can calculate it by dividing the company's current assets by its current liabilities. Banks require it for loans, the board of directors wants to see it often, and your auditors want to see it every quarter. There are many such "key ratios" used in the financial world.

When HR creates "key ratios," they're called "metrics." This relatively new concept is still being developed. There are, as of yet, no national standards, no definitive magic numbers to be used by everyone. You can and should create your own key ratios for your company.

Almost everyone measures "turnover." But that's almost a meaningless number because it doesn't measure the loss or gain of value. That's because not all turnover is bad. There's good turnover and bad turnover. Losing a poor performer may be a positive value, while losing a top performer may be a real loss. HR needs to know the value of that loss.
You can divide the total factory output by the number of employees and track it regularly. You can compare the cost of training to an increase in productivity; or a decrease in rejects, returns, or accidents.

Compare employee costs to productivity and to profits.

You can compare the new hires to the number of projects or units completed per week. Compare that to an increase or decrease in profits. Sit with other department heads and discuss the comparisons. Identify all the observations. What do they mean? What's influencing the results? What can you do about it?

Measure the effect of training.
Sending any employee for training is an investment. Measure the effect of that training. Identify and justify the purpose. Review the results with the returning employee. Have them report the resulting value of the training in writing. Measure the productive results later.

3. Be the Courageous Leader

Being the courageous HR leader is not a job for all HR professionals. It really will take courage. It may mean telling the vice president of operations that the numbers are bad and that he/she may be the problem. It may mean telling the CEO that some actions, although profitable, may not be ethical, moral, or legal. It may mean telling the angry employee that what they want cannot be given. It may mean terminating the employment of the nice guy who just can't get it together. Don't be afraid to put demands on people and on yourself.

As a true HR leader, you may be the primary moral compass for the company. This doesn't mean you will revert back to being a social services center. But it does mean that doing the right thing will not always be profitable, but it's still the right thing to do. It means being proactive in making these things happen. HR people normally don't like being out in front. They don't like to be making exceptions or preferences or rapid changes. But that's the way it's likely to be from now on.

In his book, ***The World Is Flat: A Brief History of the Twenty-First Century,*** Thomas Friedman quotes an old African proverb, "Every morning in Africa a gazelle awakens. He has only one thought on his mind: To be able to run faster than the fastest lion. If he cannot, then he will be eaten. Whether you choose to be a lion or a gazelle is of no consequence. It is enough to know that with the rising sun, you must run. And you must run faster than you did yesterday, or you will die."

Bill Cook
Human Resource Associates
E-mail: hrahtl@consulthra.com