

More than cost center

HR departments must demonstrate their value

Question:

I found your article in the Oct. 13 issue of SBT very interesting. I have over 20 years of HR experience in various roles and settings, including retail, banking and health care. Your comments about HR not being included at the executive table hit home for me. I've come to believe that HR is perceived the way it is because we're beating ourselves. It's too easy to view us as a cost center. Administering the health insurance plan, the compensation plan, etc. are viewed as costs. We need to promote the positive contributions we make. If we don't, I have a hard time seeing how what you talk about (i.e., HR becoming a strategic partner) will happen. Your thoughts would be appreciated.

Answer:

Let me begin by noting that I received similar messages from others who read the article you reference. Evidently, I touched a chord. As you will recall, my basic message was that HR needs to stop engaging in micro-level transactions and start undertak-

ing work that supports macro-level matters that the organization is pursuing. In doing so, HR will improve its visibility and become more of a driver of organizational success.

"Easy to say, hard to do," you might be thinking.

Yes, that it is true. But, what's the alternative? More of the same? When has more of the same ever produced a different result?

No, the prescription here is to chart a bold, new course. Aim high. Pursue a different strategy.

The perspective of Jac Fitz-Enz, a noted HR strategist, is germane along these lines. Fitz-Enz has long argued that HR professionals must craft a new vision for themselves. To do so, he has suggested that four ideas are central:

1. HR exists in an organization because it adds tangible value by providing necessary services at a competitive cost.
2. HR's charter is to enhance the productivity and effectiveness of the organization from the people — the human capital.
3. HR should drive the organization's management with regard to "people issues."
4. HR is a professional function staffed by professionals who are dedicated to the development of people in ways that are satisfying to the individual and beneficial to the organization.

Let me briefly comment on each of these.

HR adds tangible value

You allude to this in your question when you reference HR being viewed as a cost center. Well, if the only data that are offered are costs, it seems to me you stand to be

labeled a cost center. Why is it, for example, that in the *"Vest Pocket Guide to Business Ratios,"* all 300 pages of it, the only references to HR are as costs? Time to start identifying and using some positive indicators along the way, I would think.

After all, as Tom Peters has observed regarding today's obsession with data, "What gets measured gets done has never been so powerful a truth."

HR's charter: human capital

For most organizations, merely having people on the books can account for 40 percent or more of operating overhead. Having people on board, therefore, can be costly, especially if they are poor fits, underperform, are disengaged, etc.

The charge for HR, accordingly, is to do all that it can to create an environment of peak performance and maximum motivation. To do so, people professionals must be "ARMED." That is, they must concern themselves with pursuing "best practices" related to:

- Acquiring (i.e., employee selection)
- Retaining (i.e., job satisfaction, organizational culture)
- Managing (i.e., performance management)
- Educating (i.e., lifelong learning)
- Developing (i.e., coaching, career development)

HR drives: people issues

HR is the guardian and custodian of the organization's most precious asset — its people. HR, by adopting a strategic stance, also has the potential to be the advocate for pursuit of a new psychological contract between the organization and its employees.

What I mean by this is that in an Information Age characterized by frequent

change, greater employee mobility, changing conceptions about what “work” is and is not, etc., the traditional contract between an employer and its employees which tended to be some variation of a *quid pro quo* (e.g., “We’ll give you pay for the labor you offer to us”) needs to evolve.

Paternalistic thinking and behavior must give way to self-directed *and* collaborative thinking and behavior. Partnerships must be pursued in a variety of ways. Information must be open and accessible. Compensation must reward contribution, learning, and performance. And so on.

From my way of looking at things, HR can lead on this initiative.

HR is a professional function

In many ways, this is the most important of Fitz-Enz’s observations. It is foundational. It addresses the basic notion of what the HR function is, who the people are that populate it, how the work is done, etc.

I believe that Fitz-Enz’s statement can serve as a call to action for HR. Implicit

in his statement, in my opinion, is the need to measure HR practices more robustly. Note that he emphasizes the need to engage in practices that are satisfying to the individual and beneficial to the organization.

Here is the opportunity to be proactive in showing positive returns. Let me show you what I mean. Remember the “A” (i.e., Acquiring) in the “ARMED” acronym? An HR professional might more broadly measure activities related to acquiring people by identifying additional aspects that might be studied, in addition to cost.

For example:

- **Cost** – Financial investment to fill vacancies.
- **Time** – Length of time to get new hires on-board.
- **Quantity** – Number of people hired.
- **Error/Performance** – Number of people who succeed or who are “stars” as a percentage of number of people hired.
- **Reaction/Satisfaction** – Feedback from hiring managers. How well were their needs met?

I could offer other example for the other parts of “ARMED,” but you get the idea.

Let me conclude by underscoring that measurement is the crucial tool for HR to use if it wishes to be viewed in different terms. To shake off the negative moniker, HR must project a different image. It must show how it adds value to the organization. Measurement is the key.

For, as organizational strategist Geary Rummler has observed, “Measurement is *the* pivotal performance management tool. As such it deserves special treatment.”



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