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Real value

How to demonstrate that HR plays a big role in a firm's success

By DANIEL SCHROEDER, *For Small Business Times*

Question: Here's a question that I need help with right away: I need to increase the respect that the HR department gets within our company. It seems like we're seen as the place where employees go to fill out forms. We do a lot more for the company that the employees don't know about. If the executive committee would involve us more, we could do a lot more for the company, too.

Answer: This is a question that I am sure resonates with anyone who reads this column as an HR practitioner. Although the discipline has made strides forward, within many companies it is still the least visible, least significant functional area. Typically, sales/marketing, production/operations, and accounting/finance each have more clout than HR.

I guess this is simply because HR is a "necessary evil." After all, the only reason HR exists is to keep track of that alphabet soup of compliance considerations like OSHA, EEOC, etc., right? There is no "value-added" contribution offered by HR, right? HR is a bottom-line drag, not a bottom-line driver, right?

I hope you vigorously responded "Wrong!" to each of those questions. I know I did. But I work in this area and have strong feelings on the matter. Besides, I'm writing this column! You may be inclined to agree with me if, like the person who asked the question at the beginning of this article, you are an HR professional. But I suspect

that many of you reading this article are not HR providers. So my task in this column will be to make a case for the relevance of HR within today's business organization.

Let me begin by referencing an influential book that was published a few years ago, *The Balanced Scorecard*, written by accomplished researchers Kaplan and Norton. If you read it, you'll remember that its basic thrust was that to become a high-performing organization, companies have to reconceptualize what it means to "succeed." The authors suggested that four broad categories form the basis for the ideal organizational scorecard:

1) Financial – How is the company doing in terms of market share, profit, ROI, etc.?

2) Customer – How is the company doing in terms of customer satisfaction and retention? How do customers feel about this company as compared with how they feel about the competition?

3) Processes – How efficient and effective are the company's operations and processes? Do they foment or restrain market penetration?

4) People – How well does the company do in attracting, retaining, and developing high-performing employees? Are the company's "people practices" such that the company is an "employer of choice?"

Interesting, isn't it, that the authors include a "soft data" area along with three "hard data" areas? Evidently they believe, like I do, that good employees are the heart and soul of any company. I have to tell you that I like this framework a great deal. I believe there is great power in its simplicity (and its underlying complexity). By studying it, you can see that an interconnected organizational system emerges. Using systems thinking, you can begin to see that what the organization does with regard to its production processes has very clear customer implications. And you can begin to see that by interfacing with customers in certain ways, the bottom-line can be favorably — or not-so-favorably — impacted.

The fourth element, people, is germane to my message within this column. If, as an HR professional, you want to take the "bull's eye" off your back and demonstrate that you are a contributor, the first thing you need to do is align your practices with the organization's

strategic objectives. Investigate what is going on in each area of the organization's scorecard. What does the organization do well? What doesn't it do so well? What challenges loom on the horizon? What opportunities exist? Along the way, identify the data used to answer those kinds of questions. That will help you to understand the organizational context in which you operate.

Beyond that, to really demonstrate that "HR matters," you will need to begin to develop some metrics of your own. That means gathering data for the practices in which you engage (e.g., recruitment/selection, training, etc.). If you aren't already doing so, you will want to familiarize yourself with effective feedback, survey, and program evaluation tools. Then, by forging tangible links between the data that describe your HR practices and the data from the rest of the company's scorecard, you will help to put HR on the radar screen.

You'll be able to demonstrate the positive relationship that exists between providing training in communication skills and the subsequent customer satisfaction that is reported by customers

who interact with employees who have completed your course.

You'll be able to show that by hiring individuals who do well in the behavioral interviews that you constructed, employee retention increased and so did production.

You'll be able to show that measuring the HR department's performance, process improvements were pursued and internal efficiencies were realized.

In short, you'll be able to "justify your existence." At that point, you might just find that HR occupies a new place in the organizational hierarchy — that of trendsetter.



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