



Dramatically Improving HR's Impact:

How to Run HR like a Business

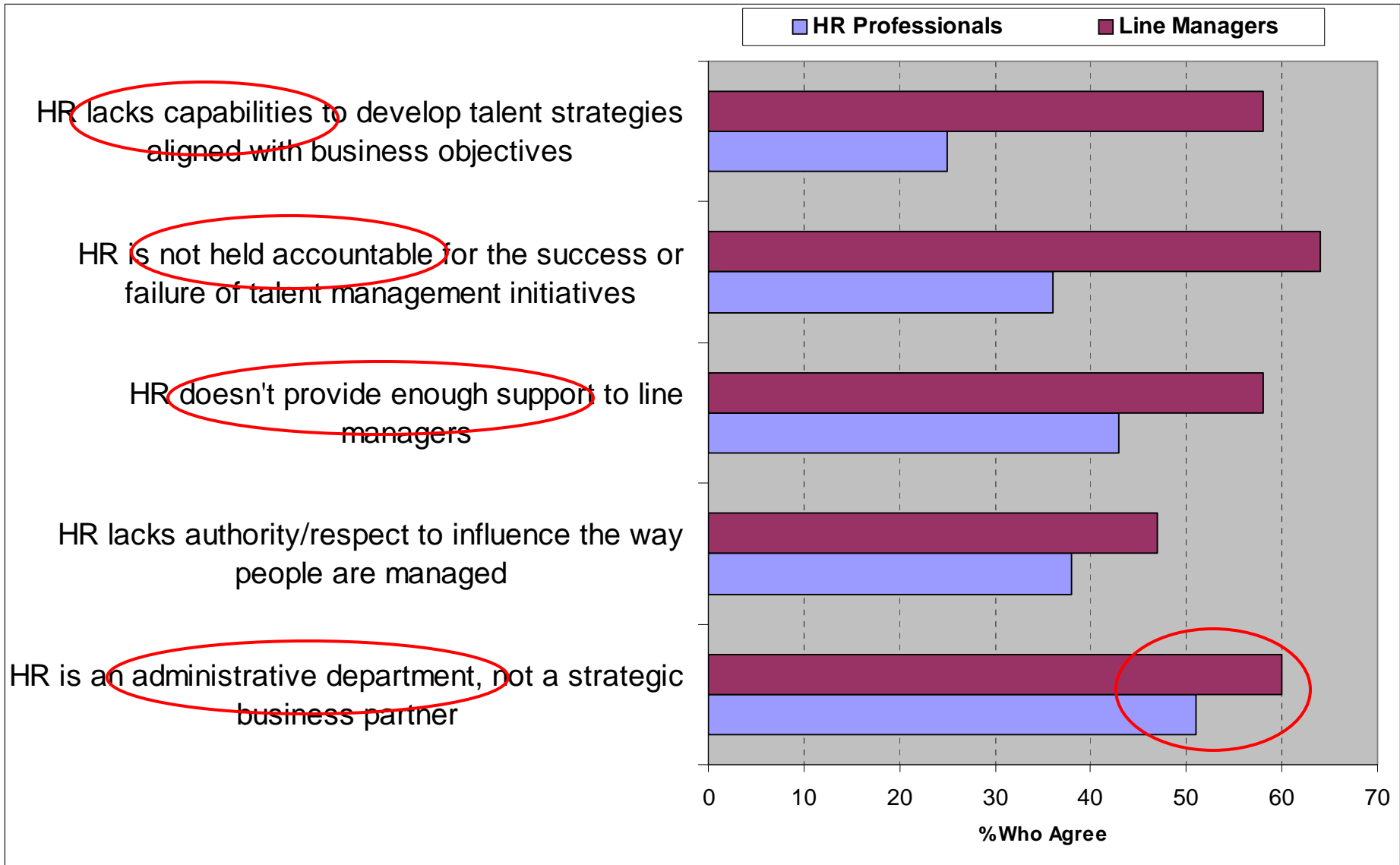
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HR's Impact



From *Making Talent a Strategic Priority*, McKinsey Quarterly, 2008

HR's Impact

- "I hate HR"

CEO – Net Comm Firm

- "My own HR people, hands down, were my biggest challenge. They liked what they were doing . . . They didn't like numbers . . . They weren't open to change . . . They weren't very analytical."

CEO – Insurance Company

HR's Impact

"After close to 20 years of hopeful rhetoric about becoming "strategic partners" with a "seat at the table" . . . most human resources professionals aren't nearly there. . . . HR people are, for most practical purposes, neither strategic nor leaders."

Why I Hate HR

Keith H. Hammonds, Fast Company

The Answer?

- “If HR does not **force** its way into the heart of strategic planning in organizations, it will default to a technical and transactional dead end.”

Helen Drinan

Former President and CEO

Society for Human Resources Management

The Reality

HR spent 23% of their time being a strategic business partner - no more than they reported in 1995

Dr. Edward Lawler
USC Center for Effective Organizations
2008

A group of four people (two men and two women) standing in a line, looking in different directions. The text "My Perspective" is overlaid in the center in a large, bold, red font. The background is a plain, light color.

My Perspective

Business Savvy Quiz

1. Employees are HR's most important customer
2. People are a company's most important asset
3. People are a company's competitive advantage
4. Improving people-related costs is HR's biggest impact
5. HR is the conscience of the organization
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Run HR Like A Business

- **Clear Strategy**
- **Effective “Operations”**

Strategy/Operations Relationship

Strategy

		Strategy	
		Clear	Unclear
Operations	How		
	What		
Effective	Clear	Success	Some past success Future is doubtful
Ineffective	Clear	Some short term success Doubtful in the future	Failure

Adapted from Tregoe & Zimmerman, 1980

Strategy Driven Organization Development SM



Strategy Driven Human Resources



Business Strategy

Strategy: A framework to guide those choices that determine the nature and direction of a business

- Answers Basic Questions
 - What kind of business are we?
 - How and where will we grow?
 - How will we compete?
 - What capabilities do we need for this kind of business?

Business Strategy

Driving Force

Capabilities

Products/Markets

Results

Technology

Method Of

Products/
Services
Offered

Markets
Served

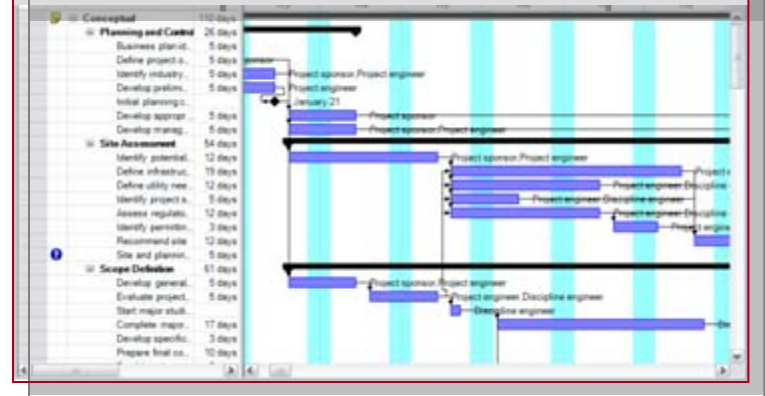
Return/
Profit

Natural
Resources

Product Market Matrix

Products	Markets		
	Long Term Care	Public Retail	Rental Housing
Skilled Nursing	H ? Explore		
Personal Care	H ? Explore		
Assisted Living	H ? Explore		
Independent Living	H ? Explore		
Pharmacy	M ?	L ?	
Comprehensive Rehab	L ?		
Apartments			L ?

Capabilities Roadmap



Business Strategy

- Built Upon
 - Voice of the Market (VOM)
 - Voice of the Customer (VOC)

Who is HR's Customer?

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FALSE

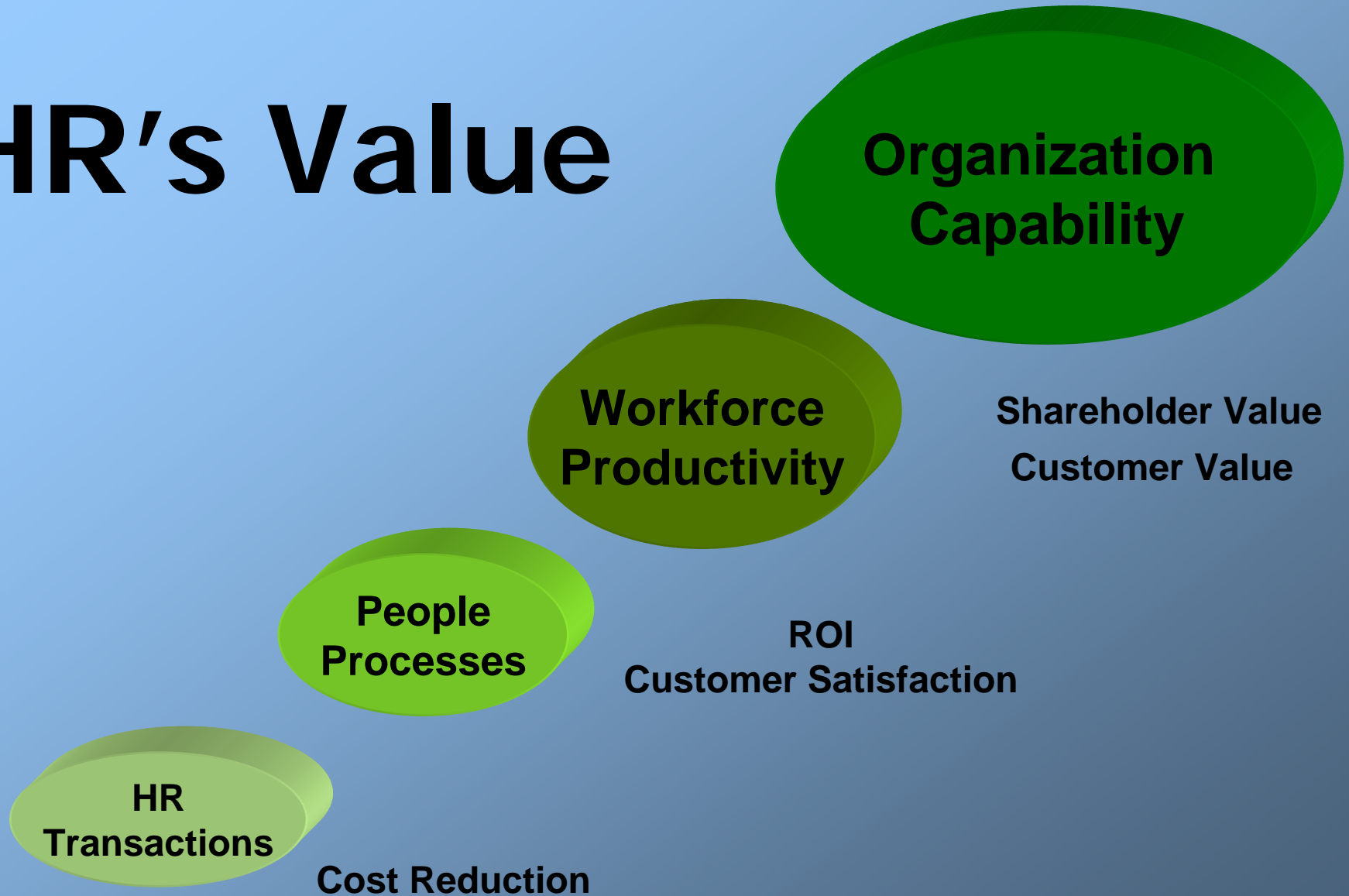
Strategy Driven Human Resources



HR Mission Statements

- “We provide quality HR services to attract, develop, motivate and retain a diverse workforce within a supportive work environment.”
- “To guide, protect and nurture employees as they struggle with career and life issues.”
- Provides services to the institution in terms of employmeee<sic> recruitment, compensation, learning, development, and health and safety services -- all for the purpose of improving the quality of work of our employees.

HR's Value



HR's Value

Organization
Capability

Workforce

**Sustained
Organization Capability
Over Time**

HR
Transactions

Business Savvy Quiz

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FALSE

Market Value Drivers

- Customer Base
- Brand
- Intellectual Property

Wall Street Journal, 2008

Think: 



People are **NOT**
your most
important asset



The **Right People** in the
Right Roles doing the
Right Things are your
most important asset

Business Savvy Quiz

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Strategy Driven Human Resources



HR Value

- Certain Human Capital practices* explain as much as 43% of the difference in the market-to-book value of one company compared to another

Deloitte & Touche Human Capital ROI Report

- * The practices vary depending on the business's Driving Force
- * Some are universal:
 - Managing Talent
 - Rewarding Performance
 - Communicating Strategically

Human Resource Demand

		HR Process
Strategic Importance	Mission Critical	Recruiting & Selection On-Boarding Coaching & Feedback Mentoring Talent Deployment HRMS Culture Improvement Retention Communications Employee Engagement
	Important	Variable Compensation Performance Management Internal Networking Training & Development
	Maintenance	Base Compensation Benefits Planning & Admin Employee Relations

Human Resource Capability

		Process Effectiveness		
		Broken/Nonexistent	OK	Differentiator
Strategic Importance	Mission Critical	On-Boarding Coaching & Feedback Mentoring Talent Deployment HRMS Culture Improvement	Retention Communications Employee Engagement	Recruiting & Selection
	Important	Variable Compensation Performance Mgt. Internal Networking	Training & Development	
	Maintenance		Base Compensation Benefits Planning & Admin Employee Relations	

HR's Perception – Critical Knowledge

- Communications Skills 80%
- Employment Law 71%
- Business Ethics 66%
- Change Management 35%
- Strategic Management 32%
- Finance 2%

Source: SHRM On-Line

Exec's Perception – HR Critical Knowledge

Strategic Roles

Skills	Defining HR's Role	Strategy Options	Strategy Decision Making	Strategy Implementation	Org. Design	New Business Oppty's	Assess M&A Oppty's
HR Technical	L						
Interpersonal Skills	H	L	L				
Business Acumen & Partnering	H	H	H	M	L	H	
Metric Skills		H	M	L	L	M	L
Managing Outsourcing							M

From: *HR as a Strategic Partner: What Makes It Happen*
Ed Lawler & John Boudreau 2009 (Pre-publication Draft)

Why Metric Skills?

- “Without accurate and reliable human capital data and information, strategic HR professionals cannot make fact-based decisions that provide insights to their business clients”

The Strategic Side of Human Resources - IBM Corporation 2006

CEO's Perspective

“Being functionally smart gets you to the table. Selling ideas and being a value-add keeps you there.”

Greg Babe, President & CEO - Bayer

- Know the business
 - Be a business person 1st, an HR person 2nd
 - HR Knowledge gets you to the table, value keeps you there
- Use data and focus on measurement
- Provide solutions that meet the business need
- Build business consultants rather than HR People

HR Leadership Forum, CEO Panel (2008)

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Strategy Driven Human Resources



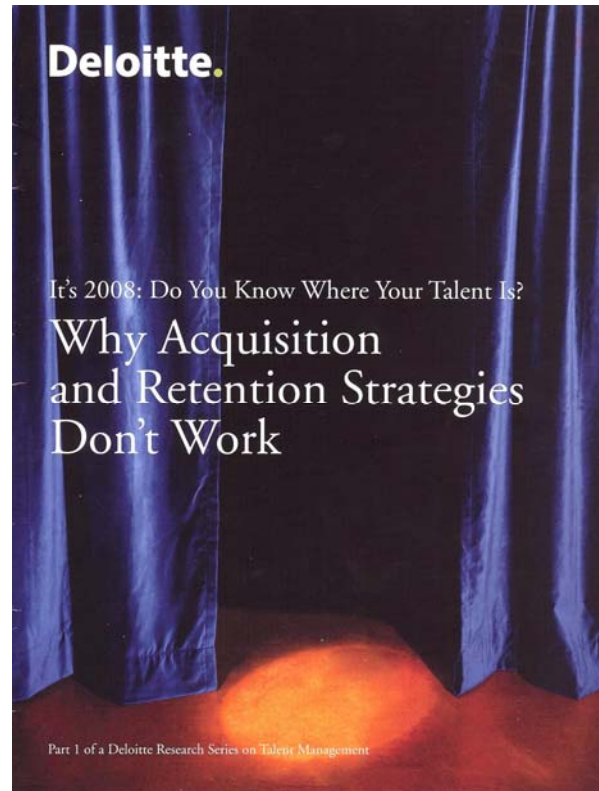
Organization Development Plan

- “Best practice organizations . . .
 - go beyond recruiting-based plans . . .
 - an integrated action plan . . .
 - 4 - 5 most effective talent management changes to close strategic gaps”

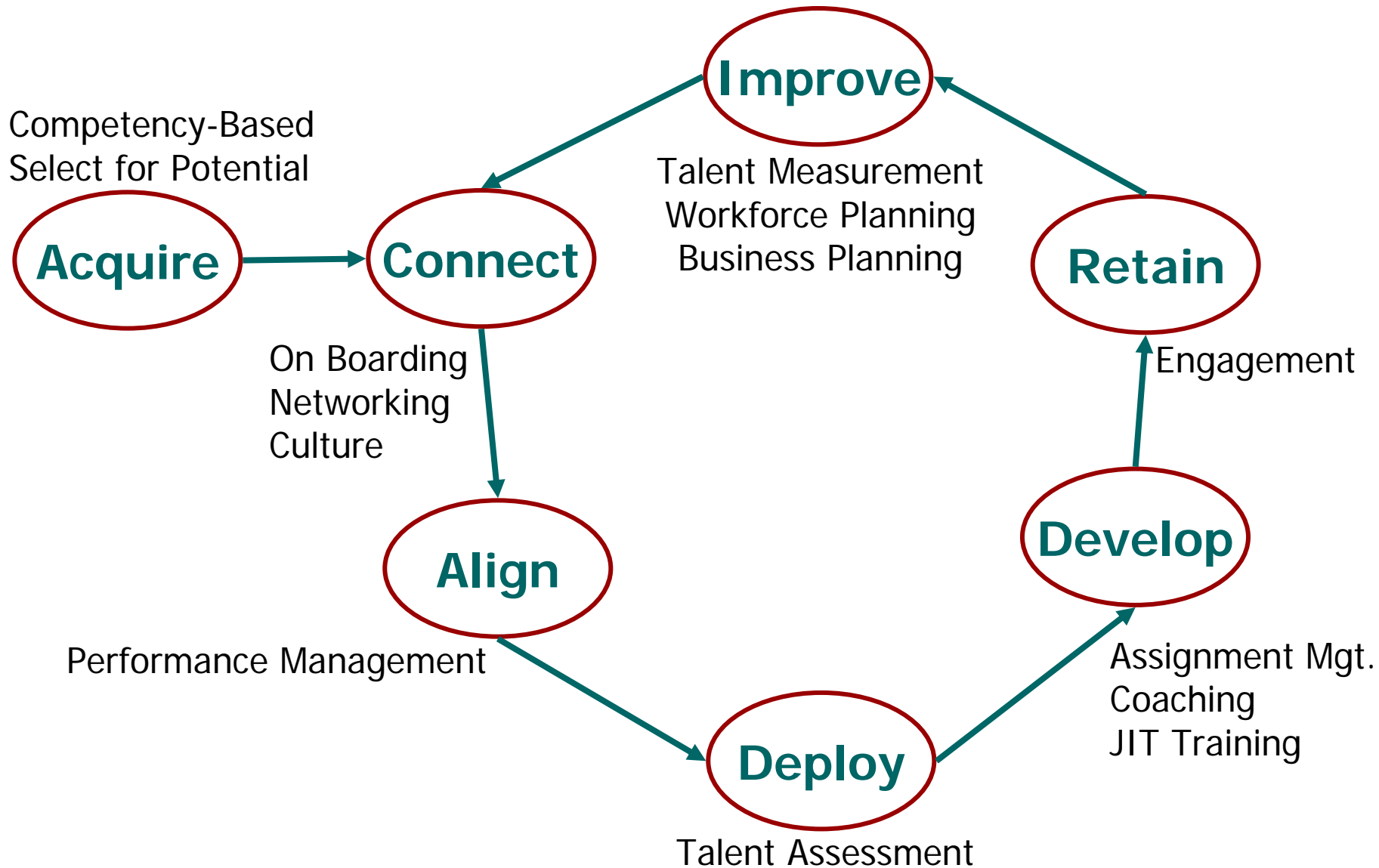
Corporate Executive Board 2007

HR Processes

Historic HR Processes



Strategic Talent Management

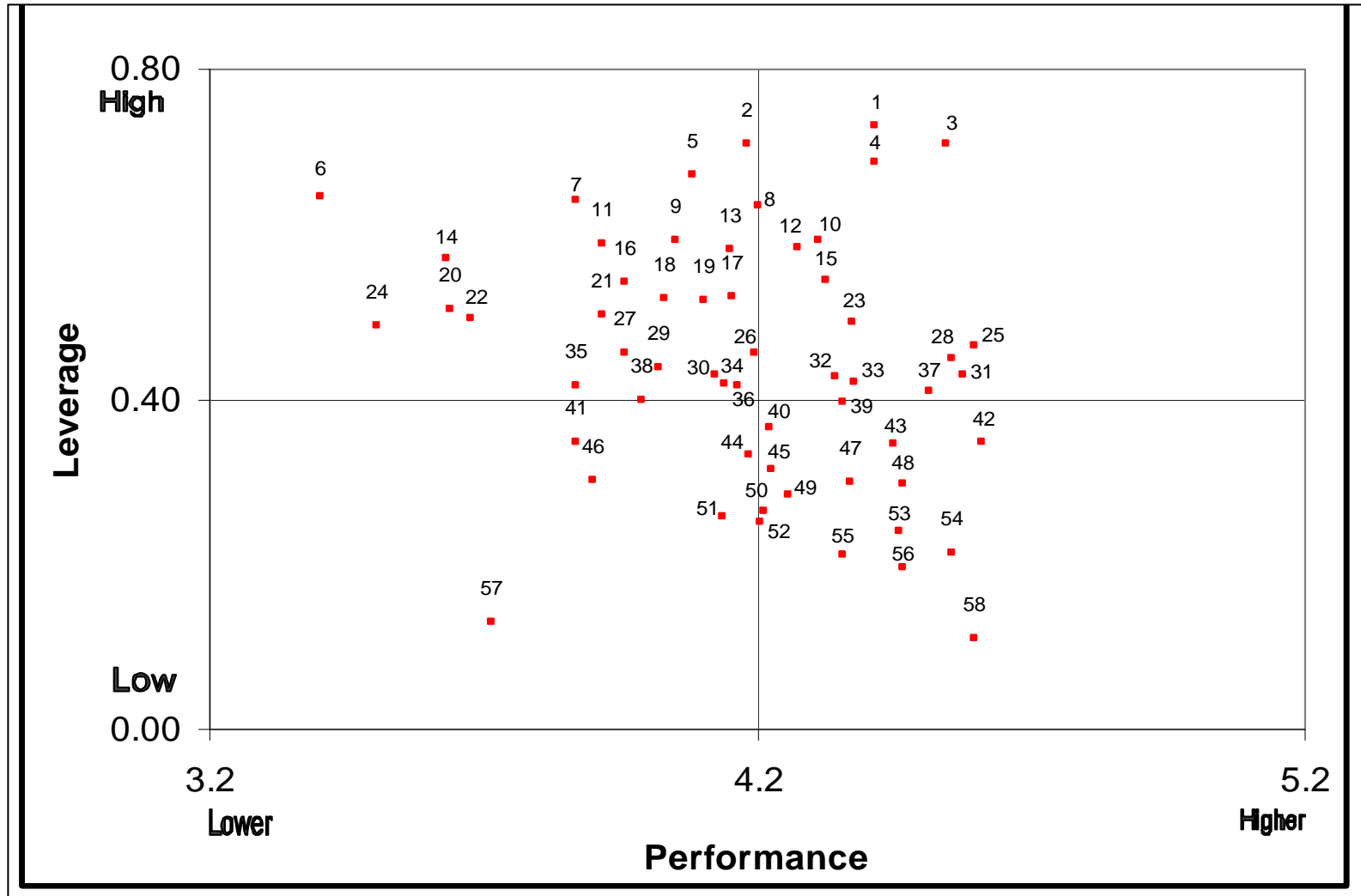


HR Business Planning

Effectiveness

		Effectiveness	
		Low	High
Value	High	Investment Required	Continuously Improve
	Low	Eliminate or Outsource	Reduce Investment

HR Opportunity, e.g.



From The Business Research Lab 2008

Turn Your Budget Upside Down

Expense Code	2009	2010
Salaries		
Benefits		
Supplies		
Outside Training		
Travel Expenses		
Relocation		

Turn Your Budget Upside Down

Products & Services	FTE's	People	Outside Expense	Other	Total
Recruiting & Selection					
On-Boarding					
Talent Deployment					
Training & Development					
Retention					
Coaching & Mentoring					
HR Measurement					
Performance Management					

HR Business Planning

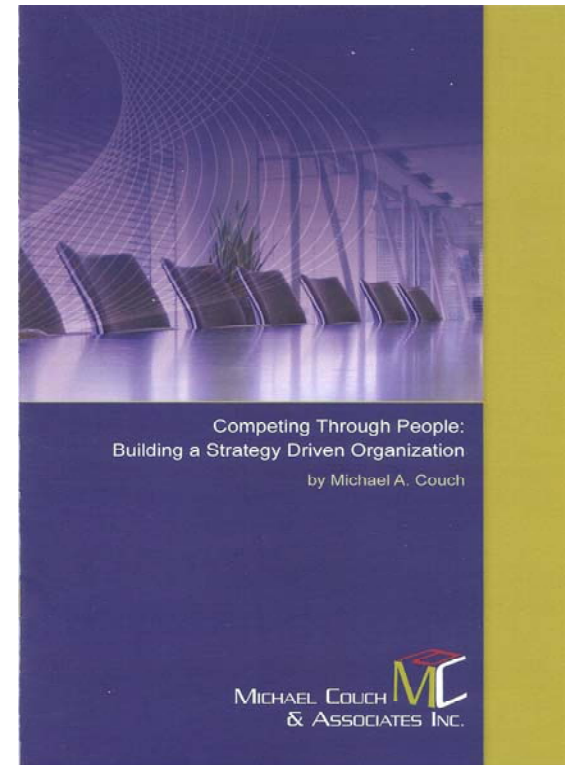
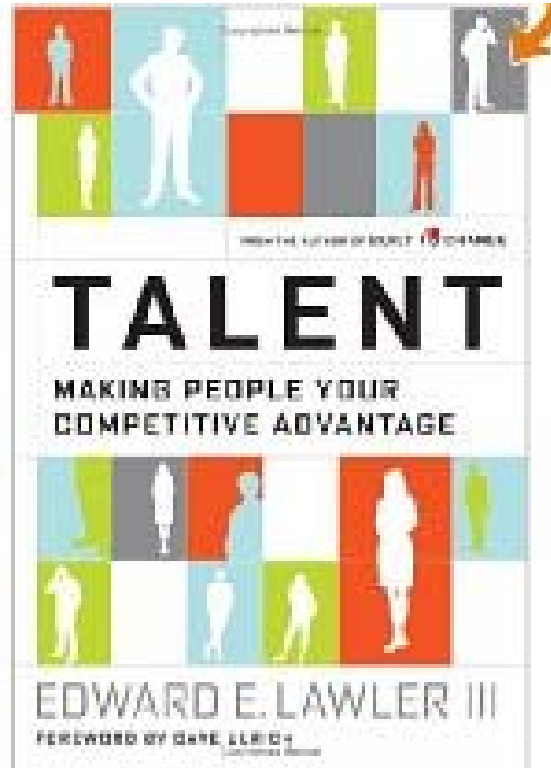
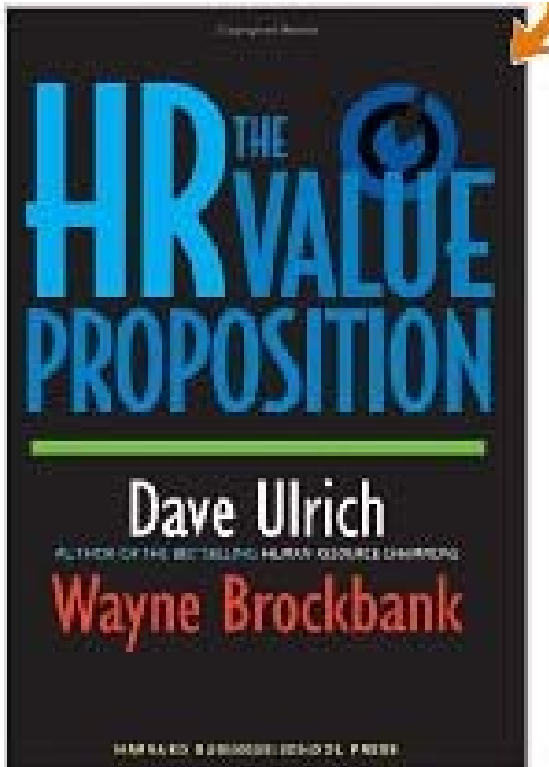
Effectiveness

		Effectiveness	
		Low	High
Value	High	\$120,000	\$250,000
	Low	\$300,000	\$175,000

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Resources





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