

Maximizing Your Human Resource Dollars in Tough Times

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WASTING MONEY

During the last 10 years, many companies have invested historically large sums of money in human resource activities with little real evidence of a return on the investment. In response to the war for talent, leadership and retention became the mantras of the 90's. Stock options, rapid promotion and a myriad of growth experiences were made available to executives and managers. A few companies took a strategic approach to human resources and mapped out a plan that tightly linked their HR initiatives to the goals of the organization. Each new HR program was carefully evaluated for its impact on organizational objectives and for synergy with other HR activities. These companies spent their money wisely and will continue to reap the rewards even in difficult economic periods.

Conversely, most organizations have engaged in a fad approach (programs du jour) and accumulated, over time, a collection of HR programs that have done little to advance the strategic goals of the company. In fact, you can make a convincing argument that these collected HR activities were detrimental because they absorbed scarce capital and corporate energy. In addition, since new initiatives were not integrated with current programs, companies failed to present a focused culture where each program supported the other and thereby sent an inconsistent message about performance expectations. One Sr. HR executive was surprised when our consulting firm did not want to design a new management selection system without reviewing their corporate strategy and linking selection to HR initiatives. His need for speed had overwhelmed his strategic thinking. However, once he was shown the logic and the benefits, he immediately agreed to slow down to design a more integrated HR foundation.

IT IS NEVER TOO LATE

HR issues will never go away and typically increase in intensity in difficult times as companies struggle with a critical need for greater productivity. Staying competitive in an economic downturn depends heavily on maximizing the effectiveness of human resources from the CEO to the line employee. While the task is

difficult, some companies far exceed others in having a culture of peak performance that propels productivity. At BHI, we believe that companies with superior long-term results have built solid fundamentals that align all their resources to achieving the business plan. These peak performance companies have focused and eliminated many of the tangential activities that create distractions from the goal. A well-developed strategic HR plan is a key ingredient in their success.

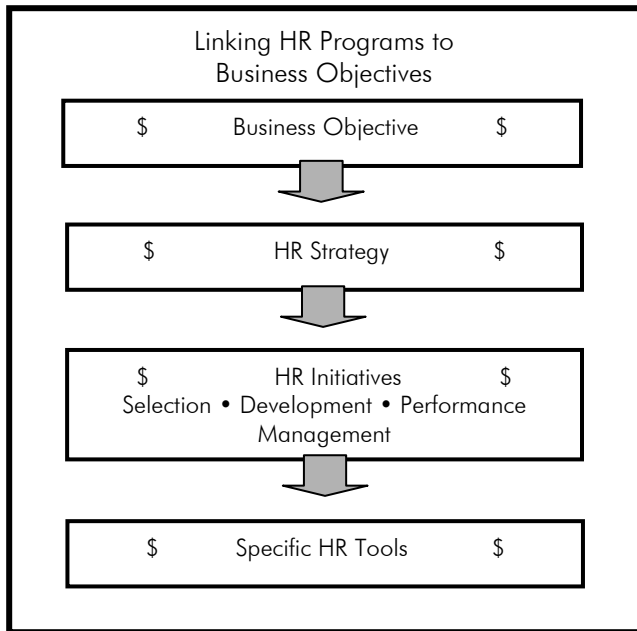
FUZZY THINKING IS EXPENSIVE

The top management discussions of HR strategies and initiatives tend to be less objective, with decisions based on current trends or benchmarked best practices, not rigorous analysis. For example, many of our clients have instigated significant 360° leadership development programs and spent considerable time and money. However, few have wanted any research on the effectiveness or impact of the programs. Even more surprising, the executives have not had a substantial strategic discussion about how the program is linked to the achievement of their business plan or how it supports other HR activities. We know of one instance where the CEO was stunned to find out that the competencies (evaluated skills) used in the 360° evaluations were not the ones he believed were extremely important to the long term health of the company. Another client invested a considerable sum of its HR budget in a nationwide rollout of a leadership program built around a 360° feedback instrument. However, it was a stand-alone initiative not connected to any selection criteria, succession planning, or performance goals. The program "felt good" but it was not part of a strategic agenda. From our point of view, the client missed an excellent opportunity to propel their strategic goals through synergy and alignment. To do so would have only taken 10-15% more effort (time and money) and would have almost certainly paid off in a much higher ROI. While BHI recommends benchmarking and other improvement processes, each company must seek and create its own unique peak performance culture. Consequently, copycat activities without critical evaluation can result in homogenized mediocrity.

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STOPPING THE WASTE

Figure 1



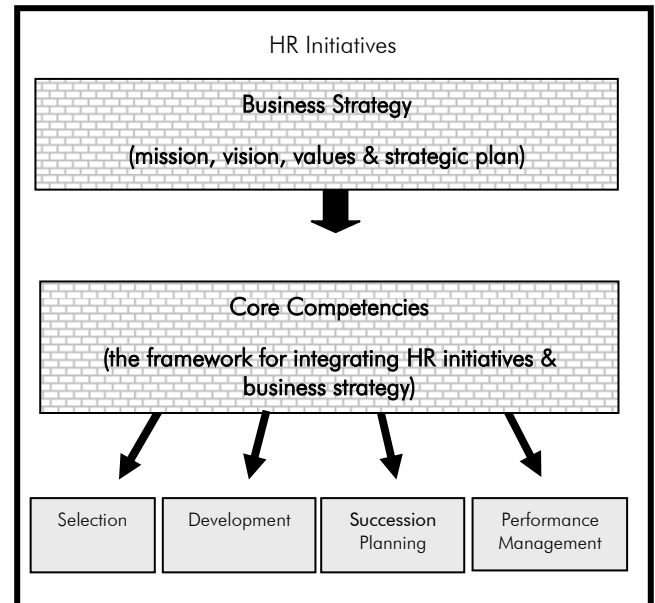
Every link must have a clear business case for dollars (\$) spent.

Figure 1 shows a sample of the integration of specific HR tools supporting initiatives that drive strategy. The linking process calls for a methodical, analytical approach to work down the chain from business objectives to specific HR tools. However, this process needs to consider alternatives and synergistic combinations that may multiply the impact of each program. This type of analysis is more art than science, but done successfully can have a powerful impact on the organization. The HR department can flowchart these vertical relationships and expenditures in a visual format that allows for a more strategic and analytical discussion of resource usage. Not only can this process save significant amounts of money, but it also results in a more focused and directed peak performance culture with clear accountabilities. Any senior management team who does not demand this type of disciplined approach is depending on intuition or luck to drive increased productivity.

Figure 2 shows you how the HR initiatives are integrated through the definition of the core competencies (talents and skills) that drive the corporate strategy. Without the integrating power of core competencies, HR programs could use different competencies in the selection and development of talent. We often find such incompatible systems, especially where companies have purchased off-the-shelf human resources tools without modification. For instance, a company might use one publisher's test for selection and a different company's

leadership training program. A superficial look indicates that these are widely used tools that have some credibility. However, a closer analysis reveals that the two tools use a different set of competencies. It is possible that the selection process from one source is recommending candidates that have difficulty adapting to the leadership model of another source. How much more productivity and effectiveness could be achieved if HR tools were actually developed or modified to work in a coordinated manner?

Figure 2



Linking Through Core Competencies

To focus the attention of the senior management team on the effectiveness of your HR programs, a few straightforward but powerful questions should be asked:

1. Do your mission, vision, and values touch the minds and hearts of your employees?
2. How do the major HR programs drive the strategy? What is your probable ROI?
3. How are all the HR activities integrated to create synergy?

At BHI, we strongly believe that HR programs that are aligned to the business plan and integrated with each other produce both short and long-term benefits in costs and effectiveness and drive peak performance.

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