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Forward-Thinking: HR's Path To Improving Its Worth

Abstract

[Excerpt] Human Resources has only just begun to move past its transactional roots into a truly strategic and value-adding role. Popular television characters like Toby from NBC's *The Office* have all but glamorized HR, leaving individuals with a somewhat negative perception of the Human Resources function. When you add to this the personal interactions that individuals have had in the past with small and strictly transactional HR departments, it is understandable that these negative perceptions exist. For critics and skeptics of HR, these observations constitute reality. However, this doesn't have to be the case. This essay will explore how focusing on a more results-driven analytical approach, adapting to an evolving workforce, and increasing visibility within the organization will help HR better convey its value and continue to evolve at all levels of the company.

Keywords

human resources, future

Comments

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CORNELL HR REVIEW

FORWARD-THINKING: HR'S PATH TO IMPROVING ITS WORTH

Christopher G. Lee

Human Resources has only just begun to move past its transactional roots into a truly strategic and value-adding role. Popular television characters like Toby from NBC's *The Office* have all but glamorized HR, leaving individuals with a somewhat negative perception of the Human Resources function. When you add to this the personal interactions that individuals have had in the past with small and strictly transactional HR departments, it is understandable that these negative perceptions exist. For critics and skeptics of HR, these observations constitute reality. However, this doesn't have to be the case. This essay will explore how focusing on a more results-driven analytical approach, adapting to an evolving workforce, and increasing visibility within the organization will help HR better convey its value and continue to evolve at all levels of the company.

The Power of Metrics and Analytics

Human capital metrics have evolved over time from that of transactional activity report monitoring to the present, as some companies are starting to tie HR metrics to business initiatives. However, many are still stuck in the "catch-up" game and are not able to devote the time and resources into this process. This has left them leaning on the crutch of external benchmarking. While benchmarking is a common practice, there is a danger with relying on it too heavily. As markets have fragmented with globalization, benchmarking in many instances is no longer as effective or relevant, as there are many unknowns influencing the benchmark. As some companies also may misuse the benchmarking information, it can be quite damaging to productivity and strategy.

HR can bring a new dimension to the strategic level of operation by focusing less on external benchmarks and more on utilizing internal talent metrics. However, keep in mind that metrics alone will only give you a rearview mirror's glimpse as to what has happened. In his book entitled *The New HR Analytics*, Jac Fitz-Enz outlines three levels of measurement that need to be integrated when using metrics to predict future outcomes: Strategic, HR Operations, and Leading Indicators.^[1] Each level encompasses a variety of metrics that are all interrelated within levels and with each other. With a focus on predictive analytics, HR departments will be able to better understand the connections between these variables and track workforce data in a variety of areas including engagement, absenteeism/turnover, revenue per FTE, and other productivity statistics that can be effectively tied back to strategic planning initiatives. Properly measuring, tracking and acting on this data will not only allow HR to be more proactive in identifying opportunities, but it will allow for adaptability when predicting future occurrences.

Essentially, it will mitigate much of the risk that comes with strategizing the unknown and using unsound logic. No longer will HR make decisions off of past experiences and “gut feelings”, but rather, they will make evidenced-based decisions. These decisions will utilize both hard data and the experience of proper analysts that have been either employed or farmed out by the organization and can help in drawing conclusions from the data. The value added by this will be noticed by many within the organization because of its positive implications on cost savings, revenue growth, overall process effectiveness, and employee morale.

Adapting to an Evolving Workforce

Over the next ten years the demographic makeup and flow of the workforce is expected to change. In the near future, the workforce will be the most diverse it has ever been in terms of gender, ethnicity, and generation. While each of these diversity areas are important, generational understanding could be the most challenging as each generation brings its own knowledge, skills, behaviors and values to an organization.

As the department with the most influential contact with employees, HR will be faced with the challenge of uniting this diverse workforce. One method to meet this challenge is through the use of social media. Research shows several similarities across generations and leads many to believe that the new workplace will be a more personalized and social environment that calls for the increased use of social media at work. While it may come as a surprise, this research also shows that older generations are using social media almost as much as younger generations.[2] It is without a doubt that social media tools like Facebook, LinkedIn, and Twitter have revolutionized how we connect with each other and are credited with much of this change. While social connection is quite informal in the public arena, HR should expect to use similar social media programs in the workplace.

Social media tools implemented in the workplace will drive success on several fronts. The first is that they will help foster collaboration. The tools can be designed and used in a way that offers direct messaging or video-conferencing in a variety of established forums that help drive innovation. Second, they will also allow for relationship building amongst employees and their cohorts. Social media tools will provide an outlet for employees to learn more about each other personally as well as offer an area for them to publicize events, news about the company and its departments, and other information deemed appropriate and within company guidelines. Third, social media can help HR better engage its employees. It can provide a personalized platform for employees to go through e-learning tutorials, locate company intranet files with ease, or even access a job’s specific FAQ area all in one convenient location. Lastly, as employees use these tools, HR could use analytics to track individual performance and how it is linked to social media.

In going along with the idea of a more personalized work environment, HR could also employ segmentation strategies for their employees that are usually targeted at their consumers.[3] Similar to the way a company like Dell can customize a laptop to a

customer's specifications, interests, and budget, HR could adjust things like compensation and benefits packages, on-boarding processes, and development opportunities to align with the values, behaviors, and expectations that each generation (employee segment) has of their employer. Those employers that aren't cognizant of this diverse workforce will not perform well because they will lack the necessary processes and strategies in place to communicate with, retain, develop, and engage this future talent. Those that can understand and adapt to both generational similarities and differences will have a distinct competitive advantage on their peers and will be poised for battle in the war for talent.

Visibility and Engagement

While the previous two considerations of analytics and adaptation are important, they will seldom be noticed if the organization isn't aware of HR's progressive work and isn't utilizing it for strategic purposes. As HR seeks to increase its worth and brand equity within an organization, it will need to ensure the alignment of its initiatives with overall business strategy. Therefore, it is important for HR to be involved in the strategy development with input that is truly valued at all levels. One recent study showed that, "only 22 percent of respondents claim that HR is a full partner in developing and implementing business strategy, and only 47 percent claim that HR does more than simply help implement the business strategy once it has been developed."^[4]

So why isn't HR providing counsel in important business strategy decisions? In many cases this occurs in an organizational culture created by an HR department that isn't visible enough. In these situations, HR isn't actively engaging with and communicating its initiatives, results, and successes with other functions and levels of the organization. This may be improved through the use of annual reports to leadership and through greater interaction with other departments. HR is often siloed in an organization, which prevents it from providing and receiving valuable insight from other departments. To be more effective, HR should be working closely with finance and operations, while better understanding talent pipelines and employer branding from areas like supply-chain management and marketing, respectively.

In addition, HR departments that are leveraging the workforce and making sound decisions based on analytics should be informing leadership of this progressive work. In addition to engagement, the use of annual reports should increase credibility, trust, and voice in strategy decisions of HR. Information that is often pertinent to leadership and can drive strategic business decisions are qualitative and quantitative measures like Return on Investment (ROI) for various HR initiatives, workforce evolution and planning, learning and development, and key performance indicators. By including this information in a formal report, it will help leaders understand the overall level of talent and infrastructure that is in place to ensure that strategic initiatives are well aligned with the general vision of the organization.

The Future Value of HR

Through the implementation of the aforementioned social media tools, analytics and annual reports, HR can earn and receive the credit it deserves. Human Resources professionals will be able to combat comments like “HR is for people who aren’t good with numbers” with showing their use of analytics; or “HR just hires and fires” with forethought on the future workforce and strategic initiatives like internal social media; or even “They plan parties and don’t contribute any value to the business” with the use of annual reports that quantifiably show HR’s value and will allow HR to take on more of a role in business strategy development.[5] The path for HR improving its brand equity and credibility within an organization is undoubtedly tough. As HR professionals continue to become more strategic and innovative in their practices, they will yield favorable results that increase HR’s functional value and worth in ways that will be difficult to be overlooked. 8

Christopher G. Lee is a student at Cornell University, pursuing an MLR at the School of Industrial & Labor Relations. He is a member of the Cornell HR Review, currently serving as its Director of Business Development. This essay received the third place prize in the Cornell HR Review 2011 Essay Competition.

[1] Fitz-Enz, Jac. *The New HR Analytics: Predicting the Economic Value of Your Company's Human Capital Investments*. (New York: AMACOM, 2010), 185-191.

[2] Meister, Jeanne C., and Karie Willyerd. *The 2020 Workplace: How Innovative Companies Attract, Develop, and Keep Tomorrow's Employees Today*. (New York: HarperCollins, 2010), 55-61.

[3] Ibid., 66

[4] Fitz-Enz, Jac. *The New HR Analytics: Predicting the Economic Value of Your Company's Human Capital Investments*. (New York: AMACOM, 2010), 29.

[5] Cornell HR Review, “2011 Essay Competition,” 2011, 1. <http://cornellhrreview.org/essay-competition/>