



| HUMAN RESOURCES |



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### **Critical Barriers Prevent Human Resources Fulfilling Its Strategic Role**

Your people interact with your customers to generate revenue. They introduce the small and significant innovations that move your company forward. They set the strategic direction for your organization and then put those strategies into operation. Human Capital is your most valuable asset.

It is also typically undervalued.

Helping the organization recognize human capital as a valuable asset and competitive differentiator is the strategic role of human resources.

Human Resources must demonstrate positive ROI from human capital investments. Human Resources guides the alignment of employee roles, job functions, talent, and individual performance with business results and goals. It finds, engages, assesses, develops, and retains the talent that drives the business. It manages administrative requirements such as payroll, benefits, the recruitment process, policy standards, and holiday and sick leave tracking. Human resources also act on behalf of employees, and in this respect is the conscience of the organization.

Three critical barriers prevent human resources fulfilling its strategic role and hamper it's typically.

#### **Barrier 1: Lack of information in defining and selling the role and business value of Human resources:**

Senior management expects every business unit to generate reports and analysis that measure performance against plan. Human resources is no different. Research suggests that better human capital practices lead to higher financial returns and have a direct impact on share price. Investors, for example, scrutinize headcount and salary or wages ratios. Historically, however, human resources has focused more on managing administrative requirements than on communicating-and selling-the business value of human capital management.

While managing administrative requirements is essential, there are other critical strategic aspects of managing human capital. Fulfilling them requires that human resources understands the strategic objectives of the business, translate these into job skill requirements and individual capabilities, and designs an appropriate performance tracking process. Human Resources should first assign a value to each human capital asset, and by communicating this value, underline the importance of managing its performance:

Base Salary expense+  
Recruiting expenses+  
Transfer Expenses+ Training expenses+  
Bonus/incentive expenses+  
Stock options grant value (Estimate) =

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### **Human Capital asset investment**

Tracking these factors allows Human resources to better manage human capital assets by asking the following questions. What is the quality and value of the employee/employer relationship? What are the training and development needs in this specific case/How should we provide incentives and motivation for employees? Answers may come from reports on staff turnover, high performer retention rates, headcount growth, role definitions, job productivity and individual performance monitoring.

Assessing comparative productivity ratios such as revenue to headcount also helps manage resource requirements; both short term and long term. These information sweet spots demonstrate the asset's strategic business value to the organization. Lack of such information impairs human resources' ability to fulfill its strategic role.

### **Barrier 2: Lack of visible and consistent Human Resources Practices:**

The credibility and business value of Human Resources is often compromised by a lack of consistency in decisions and by insufficient information. This allows an informal network to bias the selection and promotion of employees. As a strategic partner in the business, Human Resources should understand and define the factors defining success for employees. Does the business depend on customer services? On innovation? Low cost? Based on this understanding, Human Resources can institute practices that guide employees toward consistent and measurable milestones, creating a structured process.

Implementing visible and consistent practices requires quality information. You will not achieve the consistency you need if policy documents, performance reviews, career objectives, and compensation assessments are not combined and positioned within a larger structure. Consistency requires a well-defined and structured process shared across the organization.

You also need a clearly defined process for collecting Human Resource Information. How should this data be stored and retrieved? Can this mostly qualitative information be analyzed usefully, and synthesized into a metric framework? With such a synthesis, Human Resources gain the ability to compare and contrast different performance drivers. Identifying, managing and retaining talented individuals is a key competitive requirement, and consistent information and management practices allow you to achieve this.

### **Barrier 3: Human Resources has a natural ally in IT but is not fully leveraging this asset:**

Both Human Resources and IT strive to position themselves within an organization as driving business value instead of expense. They can be seen as two sides of the same coin. Human Resources is responsible for job design and ensuring that the right skills and competencies are developed or acquired to fill these jobs. In turn, performance in these jobs is defined and measured against goals and objectives. In this sense, Human Resources' information needs to mirror the performance to be monitored, analyzed and planned for in a given job. IT must understand a user's responsibilities in order to include that user in planning where functionality is deployed. Both Human Resources and IT must understand how software tools and skills drive greater productivity. As performance management information becomes more consistent and reliable, it will also enhance the performance and compensation process for which Human Resources is responsible.